



SAIPEM SUSTAINABILITY
2015



Mission

We approach each challenge with innovative, reliable and secure solutions to meet the needs of our clients.

Through multicultural working groups we are able to provide sustainable development for our Company and for the communities in which we operate.

SAIPEM SUSTAINABILITY 2015



A look ahead

Saipem's sustainability approach for long-term success



A dialogue between Stefano Cao, Saipem CEO, and Marco Frey¹, Chairman of Global Compact Network Italy Foundation.

Marco Frey

Mr. Cao, 2015 was an important year for sustainability: new objectives were set in the 2030 Agenda for Sustainable Development. Then there was the COP 21 in Paris, which led to an agreement among several countries for an overall commitment regarding Climate Change. So to a certain extent, there is an international framework that recognises the significance of all sustainability issues. How is a company like yours, which has always been engaged in Sustainability, also for reasons related to its core business, experiencing this moment?

Stefano Cao

There is no doubt that 2015 was a very important year. For Saipem in particular it has been a very intense period. A new Industrial Plan was defined, the Company's cost structure was modified and an increase in Saipem's share capital² was completed in the first weeks of 2016. In addition, the market scenario that the Company had to face was very complex and multi-faceted, from the point of view of the socio-economic contexts of the countries in which we operate and in terms of energy outlook.

Being present in many areas of the world, together with having a highly diversified business offer, is our anchor. This clearly implies exposure to global Sustainability issues and their evolution. Given this context, we have to move forward with the topics linked to the scenario, hence to corporate restructuring, while at the same time we need to tackle the ones that are part of the reality in which we operate. Sustainability has always been in Saipem's DNA. We are now adapting to the changing context by leveraging on our skills and abilities, as well as on the network of relations we have established in the countries in which we are present. In fact, our presence in these countries was initially focused on promoting health and safety at work and respect for the environment. Considering the existing and future scenario, together with our highly diversified business offer, our long lasting local commitment becomes an opportunity for us. Today we are committed to making the Company processes more effective, efficient and transparent. And all of this will have an impact on specific local issues and contexts – ranging from the management of our people, to suppliers and communities.

Marco Frey

Being able to strike the right balance between standing on solid footing while embracing elements of change has various manifestations. In my opinion, the most significant among these is governance. Facing the issue in a way that is both appropriate yet transparent implies adopting a governance where sustainability is fully integrated and legitimised. Can you tell us what you have done and what you are doing in this regard?

(1) Marco Frey is also Director of the Institute of Management of Sant'Anna School of Advanced Studies, Full Professor of Economics and Business Management, leader of the Sustainability Management Research Group (SuM) at Sant'Anna School, Research Director at IEFÉ (Centre for Research on Energy and Environmental Economics and Policy - Bocconi University) and National President of Cittadinanzattiva, a non-profit organisation.

(2) In addition, Eni sold a holding amounting to 12.5% of the share capital of Saipem to Fondo Strategico Italiano (FSI) and the governance covenants set out in the Shareholders' Agreement aim to achieve joint control of Saipem.

Stefano Cao

Thanks to its recent evolution, today Saipem is equipped with an advanced Corporate Governance system. The only way to operate in many countries of the world and with such complex and diversified businesses is indeed to have robust governance structures. In view of continuous improvement it is essential that this system be in constant evolution, not static. However, this evolution should not be guided by the pursuit of compliance. In this framework it is important that sustainability be a foundational element of governance, a natural element spread throughout Saipem's leadership model, increasingly integrated into the Company's processes.

Marco Frey

I wholeheartedly agree with your statement. Another field that spans between sustainability and the need for innovation is the relationship with the local contexts. Saipem is the demonstration of a *modus operandi* where the logic was to build relationships throughout the territory that would make it possible to 'give back' some benefit to the countries. That is probably no longer the challenge today. 'Giving back' has now taken on a much more innovative and evolutionary meaning because these countries have grown a great deal over the years. In this mindset, what are the new challenges related to local contexts?

Stefano Cao

For many years it was of great importance to employ local resources and create opportunities for professional growth. Building industrial bases and fabrication yards were essential to obtain a licence to operate in a broader sense. Over time, these conditions ended up being necessary but were clearly not enough. The real challenge is to focus on the aspects that will ensure the socio-cultural growth of these areas. The process is underway and we must see to it that our level of engagement continues to be attentive and widespread throughout.

Marco Frey

Another important aspect correlates to this. In global competition, there is a need to rethink the logic of the relationship with one's own supply chain, and the overall offer that an operator such as Saipem can provide. In the past, project success was guaranteed by having highly-skilled and quality people. Is the ability to contribute to the development of local contexts becoming nowadays a part of the supply system?

Stefano Cao

Absolutely, the contribution to the development of local contexts is now part of the supply system. The evolutionary process is leading to a kind of multi-location identity. The Company is still Saipem but it is perceived differently in every country. Saipem contributes to the socio-economic development without being philanthropic, successfully integrating its activities within the socio-cultural fabric of the country. In this sense, I am in favour of Saipem joining the UN Global Compact in 2016. I see it as a roundtable for continuous discussion in order to gather ideas for improvement and to which we can bring, with humility yet with great conviction, our contribution by way of our vast and wide-reaching experience. Our commitment has always been focused on sustainability as an increasingly integral part of the planning system. This also culminates at the end into the management incentive system. We must make it a rewarding and measurable goal, something that contributes to the orientation of resources and also to the improvement of the Company's functional processes.

Marco Frey

This is consistent with the objective of the Global Compact to integrate sustainability into the business by way of its operational nature. If you had to choose a sustainability indicator that the stakeholders could use to measure you, what would it be?

Stefano Cao

The instinctive answer to such a specific question is: the ability to innovate, an aspect that has always distinguished Saipem and that will increasingly characterise it in the future. Innovation across the board: technological innovation, offered critically and constructively in the face of issues, not taking anything for granted nor as a given, not falling into the trap of simplifying by saying 'we have always done it this way', always asking if the current approach is still effective or if we should adapt it to new contexts.

Marco Frey

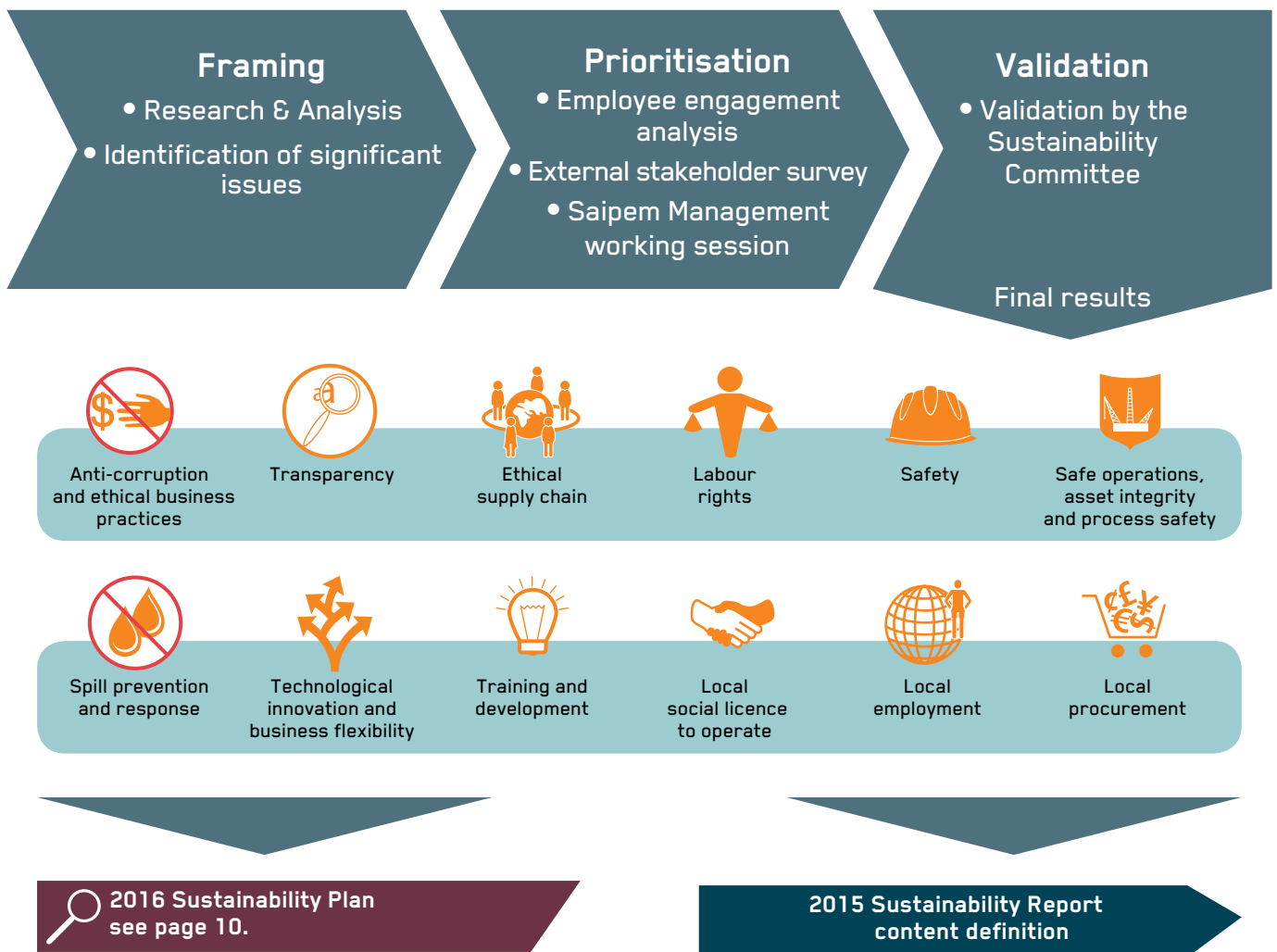
In fact, continuous improvement pursued through innovation.

Stefano Cao

Indeed, I think this is the main challenge that we are facing and that we will be able to overcome thanks to Saipem's integrated approach to sustainability.

Materiality assessment: identifying sustainability priorities

A strong and focused materiality assessment is the cornerstone of a sustainability strategy that is consistent with the core business, meets stakeholder expectations, and produces high-impact results for the Company and for society. Materiality is about identifying the issues that matter most to Saipem and its stakeholders. Saipem plots the issues that are considered important for its long-term business success against those that pose risks or opportunities to the Company.



Materiality process in numbers

5th

EDITION

31

TOPICS ANALYSED

7,428

EMPLOYEES INVOLVED

76

EXTERNAL STAKEHOLDERS INTERVIEWED/SURVEYED

23

REPRESENTATIVES OF SAIPEM MANAGEMENT ATTENDED THE WORKING SESSION

12

MATERIAL ISSUES IDENTIFIED

Saipem Sustainability 2015

'Saipem Sustainability 2015' provides an in-depth analysis of the most significant issues for business sustainability identified by way of the materiality analysis previously described (see page 4 and pages 90-93).

A variety of focuses on country and geographical areas throw light on how policies and strategies are applied at local level.

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Scenarios, business environment and market outlook

In a scenario where the volatile aspects of the energy market are largely out of the control of industry leaders, the Oil & Gas business is characterised by increasingly consistent and evolving levels of criticality.

Global oil price dynamics today are shaped by many factors, mainly the imbalance between supply and demand, the macroeconomic and geopolitical situation, the dynamics of the USD exchange rate and global financial market conditions. Over the short to medium term, the prices of oil, gas and coal are predicted to remain depressed, keeping pressure on producers to improve operations, cut production and reduce capital investments. Forced to deal with these increasingly complex challenges, Saipem must turn this situation into opportunities by leveraging its ability to deliver technologically advanced projects in extreme environments. In this difficult market context, the Company has planned a number of specific actions to be implemented over the next few years in order to remain competitive and overcome the downturn. The main strategic objectives to put into practice through the 'Fit for the Future' project are centred on the optimisation of cost structures and the efficiency of processes. This will be achieved by streamlining the organisational and operational structure at the global level and by implementing a strict financial policy aimed at rebalancing the financial structure and refinancing the current debt.

Market trends

Today, Saipem operates in a complex scenario that is influenced by significant macro-factors:

- An increase in political risks generally concentrated in a small number of countries, particularly North Africa and the Middle East (MENA) and the economic consequences of tensions between Russia and the Ukraine that have led the European Union to apply sanctions on the former.
- A difficult scenario marked by hostilities in the Middle East and by the nuclear agreement (Joint Comprehensive Plan of Action) signed in July 2015 which requires Iran to dismantle much of its nuclear infrastructure in return for the removal of many international sanctions placed on it over the past five years.
- An oversupply of oil, that started in 2014, caused by increased production in North America, a demand for oil in Asian countries that is below expectations and the conscious decision of OPEC countries not to regulate the overcapacity of global supply by reducing their production.
- A collapse in oil prices beginning in the second half of 2014, during which the price reached a minimum of below 30 USD/bbl. This has impacted all oil companies who have seen their revenues and future investment plans significantly reduced, forcing them to restructure in order to improve internal efficiency and reduce operating costs.
- The slowdown of emerging economies, in particular Brazil and Russia, the deterioration of terms of trade among primary commodity-exporting countries, currency volatility, capital flight, China's partial economic deceleration and the rise of Islamic extremism in most countries with significant Muslim populations.
- Collective support for an effective global climate change agreement with a 'joint collaborative declaration', expressed by the member companies of the Oil and Gas Climate Initiative (OGCI), recognising climate change and the role of current emissions. However, the global agreement on climate change action at the Paris COP21 meeting seems insufficient to alter world carbon dioxide (CO₂) emissions and deter the rise in global temperatures by 2 °C by 2050 (*).
- Despite the downturn, investment in clean energy in 2015 totalled around USD 330 billion, an overall increase of 4% compared to the previous year. Driving these figures are the Far East and South America markets (Brazil, Mexico and Chile) in particular, as well as Morocco, a new entrant. According to Bloomberg, renewables will represent 60% of new capacity and 2/3 of power investment globally by 2040.

To meet the challenges of the market, Saipem intends to recover efficiency through distinctive elements such as technology and innovation. In particular, it will target segments with higher added value, such as SURF (Subsea Umbilical Risers and Flowlines), floaters dedicated to natural gas liquefaction such as FLNG (Floating Liquefied Natural Gas) units and export lines and trunklines.

Oil & Gas contractor business environment

On a global level, one third of investments in Onshore E&C were made in the Middle East (mainly Kuwait, Oman, Saudi Arabia and the UAE), with over 80% of these in the Refining and Upstream segment. Other significant investments were recorded

(*) Source: Global Energy Watch, February 2016.

in North America (USA and Mexico), where there have been major contracts in the LNG, Petrochemical, Fertiliser and Refining segments; Asia-Pacific (China and Pakistan), mainly in the Pipeline and Petrochemical segments; the CIS (Russia and Uzbekistan), with contracts awarded in the Refining and Fertiliser segments; and Central Africa (Uganda) and North Africa (Egypt), where contracts in the Refinery segment have been awarded.

The Offshore E&C market recorded a lower number of contracts awarded due to budget cuts by many operators, which led to a reduced level of investment during 2015 compared with 2014. To face the recession, many players have decided to cancel or postpone the construction of new vessels, thereby contributing to a re-equilibrium in the Offshore E&C market.

During the year, the volume of investment from oil companies in Onshore Drilling registered a decrease from around USD 230 billion in 2014 to around USD 130 billion in 2015. Among all geographic areas, North America was the most affected. The same trend is visible in Offshore Drilling, with a conspicuous decrease in investments, in particular in Asia-Pacific. Starting from the end of 2014 there have been several cases of reduction or postponement of previously planned drilling activities.

In order to face this difficult market environment, Saipem has initiated a long process of refocusing its portfolio through the revitalisation of leadership, in particular in the Offshore E&C business, and the gradual recovery of the economic and financial performance of the Onshore E&C business. Simultaneously, a process is under way to reduce the risk profile of the business in which the Company currently operates. In particular, it aims to increase the share of EPCM (Engineering, Procurement, Construction Management) services, strengthen cooperation with strategic partners in the value-added segments, give more attention to the phases of the project management process and emphasise relationships with major customers in order to prevent and reduce potential grounds for dispute.

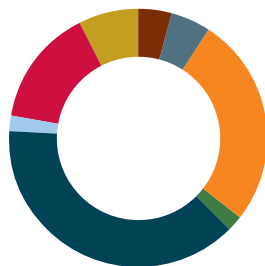
Market outlook

In this context, the markets are registering a 'hard landing' and the world's wealth is growing at a slower rate than expected. Negative GDP trends can be seen especially in the CIS, South America and China, while a slow recovery is registered in Europe. The expansion of the global economy could be led by a combination of solid growth in the United States, a slight pick-up in the pace of the Eurozone and Japanese economies and more monetary stimulus in key markets, adding up globally to a growth of around 3% in 2016 and an average of 3.3% over the following five years.

While lower energy prices will benefit large energy-consuming industries and should also provide some marginal benefit to individual consumers across the world in terms of greater spending power (thus helping to fuel an eventual economic recovery), continued falling prices could be harmful for many emerging-market commodity exporters and would also mean headwinds for business investment in resource-rich advanced economies such as North America, Australia and Norway. The stagnant growth in oil consumption, without regulation of production, has favoured the decrease in upstream spending, seeing a reduction in total investment of around USD 195 billion between 2014 and 2015, in particular in North America (-60%) and Asia-Pacific. The return to previous levels of investment opportunities is now broadly expected to occur in the medium term, through a slow recovery over the next few years.

Orders by geographic area (€ mln)

Total: 6,515



■ €279 Italy	■ €2,509 Middle East
■ €322 Rest of Europe	■ €126 North Africa
■ €1,725 CIS	■ €956 South and Central Africa
■ €123 Oceania and rest of Asia	■ €475 Americas

Backlog by geographic area (€ mln)

Total: 15,846



■ €496 Italy	■ €5,798 Middle East
■ €587 Rest of Europe	■ €4 North Africa
■ €2,410 CIS	■ €4,651 South and Central Africa
■ €370 Oceania and rest of Asia	■ €1,530 Americas

Saipem at a glance

Saipem is one of the world leaders in drilling services, as well as in the engineering, procurement, construction and installation of pipelines and complex onshore and offshore projects in the Oil & Gas market. The Company has distinctive competences in harsh environments, remote areas and deep water. Saipem provides a full range of services with turn-key EPC and EPCI contracts and has distinctive capabilities and unique assets with a high technological content. Saipem has been listed on the Milan Stock Exchange since 1984.

€11.5 bln
TOTAL
SALES



70

NUMBER OF COUNTRIES
WHERE SAIPEM OPERATES

€15.8 bln
TOTAL
BACKLOG

PRESENT IN ALMOST EVERY OIL & GAS MARKET
AROUND THE WORLD

46,346
NUMBER OF SAIPEM
EMPLOYEES



128
NUMBER OF EMPLOYEE
NATIONALITIES

25
AVERAGE TRAINING
HOURS ATTENDED
BY EMPLOYEES

59%
PERCENTAGE OF
EMPLOYEES COVERED
BY COLLECTIVE
BARGAINING
CONTRACTS

32,931
VENDORS

€8.3 bln
TOTAL GOODS AND
SERVICES ORDERED

234 mln
WORKED MAN-HOURS


FTSE4Good
INCLUDED IN THE
FTSE4GOOD SERIES
INDEX FOR THE 6TH
YEAR RUNNING










92B
SCORE ACHIEVED
IN CARBON
DISCLOSURE PROJECT



0.31
LOST TIME INJURY
FREQUENCY RATE

1,504
SCOPE 1 EMISSION
(KT CO₂ EQ)

Main results in 2015

Issue	2015 Objective	Results	KPI/reference
Anti-Corruption and ethical business practices 	Promote employee awareness of Anti-Corruption. Check Human and Labour Rights on Saipem sites.	<p>Provided training and refresher courses for Saipem personnel and Compliance Committees on Anti-Corruption, Model 231 and the Code of Ethics.</p> <p>Delivered training on Human Rights to Saipem local management and client representatives.</p>	<p>1,929 people trained on Anti-Corruption, Model 231 and the Code of Ethics. Further information is available on page 25.</p> <p>1 training programme delivered in Angola. Further information is available on page 56.</p>
Transparency 	Provide complete information that meets stakeholder expectations and current regulations.	Continued to adopt a flexible and diversified approach to stakeholder engagement.	Refer to pages 12-13 for further information on stakeholder engagement in 2015.
Training and development 	Bringing people's competencies in line with business needs.	Continued mapping, developing and monitoring skills.	<p>4,897 skill evaluations.</p> <p>18,446 employee performance assessments.</p> <p>Further information is available on page 40.</p>
Safe operations, asset integrity and process safety 	Ensure integrity of assets and process security by strengthening the managerial levels involved.	Strengthening of efforts on asset integrity and process safety management.	Commenced the integration of human factor issues into the management system. For further details please see page 30.
Safety 	Reinforce H&S processes and managerial capacities, including those of vendors and contractors.	<p>Improvement of Total Recordable Incidence Frequency Rate (TRIFR).</p> <p>Continuation of the 'We Want Zero' programme.</p> <p>Continuation of the LiHS programme 'Leading Behaviours.'</p> <p>Renewed commitment to the 'Life Saving Rules' campaign.</p>	<p>TRIFR (1.08) slightly down compared to 2014. Further information is available on page 32.</p> <p>Further details on page 18.</p> <p>Further details on page 41.</p> <p>Further details on page 20.</p>
Social licence to operate 	Boost work with local stakeholders, including universities and training centres.	Continued Saipem effort to strengthen fruitful relations with local stakeholders.	Refer to the section 'Saipem's world' (page 47) for further information on local stakeholder engagement and on partnerships held with local community representatives.
Local employment 	Increase local personnel, especially middle and senior managers, taking gender equality into account.	Promotion of Local Content, including through specific training and career programmes for the development and professional growth of local personnel.	<p>80% of total workforce is local.</p> <p>Further details on programmes aimed at developing local skills are available in the section 'Saipem's world' (page 47).</p>
Local Procurement 	Prioritise controls over Human Rights, with specific reference to geographical area and coverage.	<p>Confirmed commitment to supporting local economies, optimising local orders.</p> <p>Audits carried out on vendors in relation to workplace principles and rights.</p>	<p>68% of goods and services ordered locally (+12% compared to 2014).</p> <p>13 audits held in India, China, Saudi Arabia and Bahrain. Further details on page 75.</p>
Spill prevention and response 	Reduce the frequency and volume of spills, and improve spill response measures and systems.	<p>Continued the effort to reduce the frequency and volume of spills.</p> <p>Continued effort to consolidate spill response measures.</p>	<p>Reduced number (38) and volume (2.18 m³) of spills compared to 2014 (50 and 21.6 m³).</p> <p>Saipem's approach and efforts can be viewed on pages 33, 34 and 53.</p>



Anti-corruption and ethical business practices: run operations respecting ethical business best practices. Promote employee awareness of anti-corruption.



Transparency: provide complete information that meets stakeholder expectations and current regulations.



Ethical supply chain: engage supply chain on business ethics aspects.



Labour rights: respect international best practices on labour rights and monitor the effective compliance.



Safety: reinforce safety processes and people competencies, including those of vendors and subcontractors.



Safe operations, asset integrity and process safety: run safe operations for people and the environment and ensure integrity of assets.



Spill prevention and response: reduce the frequency and the volume of spills, and improve spill response measures and systems.

2016 Sustainability Plan



Technological innovation and business flexibility: align Saipem's technologies to business needs and the market scenario.



Training and development: bring resources' skills in line with business needs.



Social licence to operate: further integrate the Company with the local context through the active engagement of local stakeholders.



Local employment: attract and develop local skills.

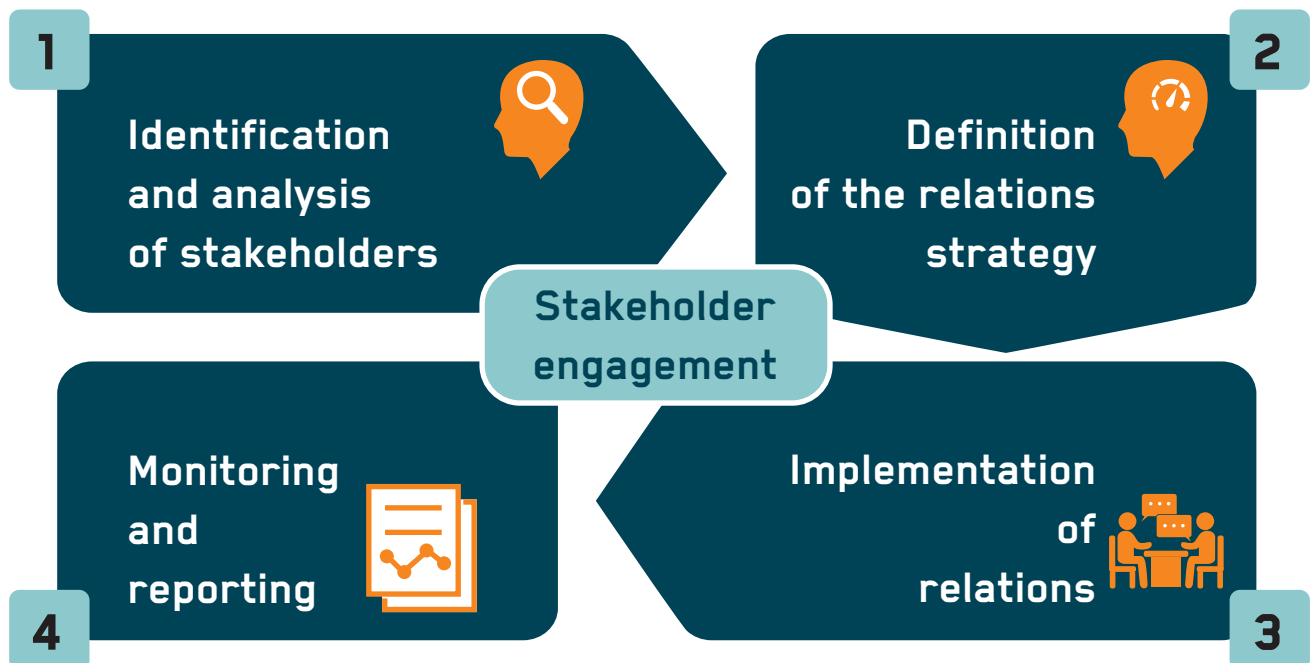


Local procurement: increase the quality and the volume of local goods and services in strategic areas.

Stakeholder engagement process

The identification and involvement of all bearers of legitimate interests are fundamental aspects of the Company's sustainability strategy. Dialogue and sharing of objectives with all stakeholders are the tools through which it is possible to create reciprocal value.

Since 2014, Saipem has published a Management System Guideline (MSG) entitled 'Sustainability stakeholder engagement and community relations', defining the methods to be followed in the process aimed at taking into account stakeholders' interests on matters regarding sustainability. This method includes the ability both to listen to stakeholders on sustainability themes and propose and implement initiatives aimed at reinforcing Saipem's 'social licence to operate' in local areas.



This general approach was developed to guarantee open, transparent relations with the parties involved, tending to promote positive and reciprocally advantageous interactions. This approach has also enabled Saipem to build successful relations with its stakeholders in many parts of the world over the years, thereby ensuring a lasting presence and effective implementation of its activities in the areas where it operates.

10

COUNTRIES WHICH HAVE A
STRUCTURED PROCESS IN PLACE

DIALOGUE WITH SHAREHOLDERS

Dialogue with individual shareholders is overseen by the manager of the Company Secretary function. Information of interest to shareholders is made available on Saipem's website or can be requested via email from: 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. The dialogue with all the other categories of financial stakeholders is guaranteed by the Investor Relations function.

Stakeholder engagement in 2015

Identifying stakeholders and understanding their needs and expectations is an essential step for defining an effective engagement strategy in every location where Saipem operates.

Financial stakeholders



Approach

Saipem's investor relations are based on continuous dialogue with the financial community. This is carried out in compliance with the rules and regulations designed to ensure full transparency and equal access during the disclosure of confidential information. Information is directly shared with investors and the market through press releases, periodic presentations of financial results and the documentation widely made available on the Company website, as well as periodic meetings with institutional investors and financial analysts. Individual shareholders are mainly involved through interfacing with the Company Secretary function.

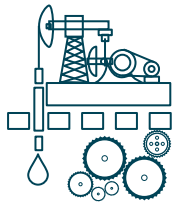
Engagement

- Presentation of the new Business Plan and the overall strategy, including the launch of a capital increase in 2016 during the Investor Day held in London in October.
- Organisation of 13 road show days and attendance at 3 international investor conferences where Company representatives exhibited Saipem's activities and results.
- 2 reverse-road show days hosted in Milan.
- Over 450 individuals, including portfolio managers and buy/sell side analysts, contacted through one-to-one meetings, group meetings and conference call or video conference meetings, while more than 1,350 people attended the four quarterly financial results conference calls and webcast.
- 10 financial stakeholders involved in Saipem's Materiality Assessment.
- Preparation of specific reports regarding aspects of sustainability for Engagement International, the Ethical Council, FTSE4Good, Generali AM, GES, ISS Ethix, MSCI, RobecoSAM, SustainAlytics and Vigeo. Saipem also participated in the Carbon Disclosure Project (CDP).

Feedback

The financial stakeholders are very interested in the Company's management practices, particularly in corporate governance and the system of internal control. Another topic considered highly significant concerns the management of human resources. The stakeholders who responded to the questionnaire assessing materiality issues said that sustainability is already, or will soon become, a factor affecting investment decisions. Investors showed interest in Saipem's approach to climate change. Indeed they renewed the invitation to Saipem to participate in the Carbon Disclosure Project (CDP) 2016.

Clients



Approach

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

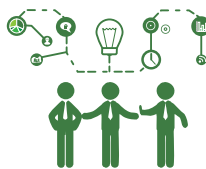
Engagement

- Customer Satisfaction questionnaires.
- Direct meetings with clients in countries like Azerbaijan, Brazil, Canada, Mexico, Mozambique, Oman and the United States, to involve them in sustainability aspects.
- 29 clients involved in Saipem's Materiality Assessment.
- Direct involvement in a few projects, especially in Angola and Indonesia, in initiatives for the community in the area.

Feedback

The clients provided their feedback through the Customer Satisfaction questionnaires (91), also expressing their opinion on the methods used by Saipem in its management of local stakeholders and the value generated in the area. In addition, the questionnaire for the assessment of materiality was used to indicate their expectations from a contractor like Saipem. A number of very interesting issues linked to operating efficiency and the protection of health and safety, promotion of Local Content and community relations, arose from the study.

Employees



Approach

Human capital is a fundamental asset for the Company's long-term success. Saipem is particularly committed to recruiting talented personnel and promoting their development, their motivation and their skills. Saipem works to guarantee a safe, healthy working environment and to have a stable relationship with trade unions so as to ensure an open dialogue based on cooperation.

Engagement

- Launch of the second Strategy LineUp, a cascade-type process of communication of the strategic priorities and corporate goals to all Company employees. It was implemented in 54 countries around the world, for a total of 80 meetings.
- Inclusion for the first time of the sustainability section in the 2015 Engagement Survey and responses from about 8,000 employees.
- Involvement of local employees in several countries, such as Brazil, Indonesia, Kazakhstan, Peru, and Venezuela, in local sustainability initiatives.
- Organisation of the HOPE (Human Operational Environment) programme, a specific training course on Human Rights, involving local management and client's representatives in Angola.
- Meetings and workshops on sustainability targeted at managerial positions.

Feedback

This year, the Company obtained direct feedback through the Engagement Survey regarding the expectations and level of satisfaction of its own employees. The majority of employees show strong attention to sustainability themes and recognise their importance in Saipem's economic performance and future strategy. Safety, People Management and Technology Innovation were the most important issues.

Local authorities and governments



Approach

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 to launch initiatives in favour of local communities and the development of local areas.

Engagement

- Institutional relations and, in many cases, proactive cooperation to implement joint local development initiatives.
- Cooperation with health ministries, hospitals or local medical centres for awareness raising projects concerning diseases such as malaria or AIDS in countries, for example the Congo, Angola and Nigeria, and other types of cooperation with local health authorities in Peru, Angola, Brazil, Indonesia and Kazakhstan.
- A number of cooperation projects on different issues undertaken in Kazakhstan, Italy, Indonesia, Azerbaijan and Angola.
- 5 representatives of local authorities in Indonesia, Kazakhstan, Brazil and Italy involved in Saipem's Materiality Assessment.

Feedback

Observance of local laws and cooperation are priority requirements for the local authorities and governments. The opportunity to cooperate proactively on matters that are important for the country is always considered constructive and beneficial to both parties.



Feedback

Feedback obtained from the local communities is monitored as described in the Stakeholder Engagement process (see page 11). In some countries, such as Nigeria and Azerbaijan, the Company has also implemented grievance monitoring systems. Representatives of the local communities have used Saipem's Materiality Assessment questionnaire to express their opinions about how Saipem operates and what their priorities are.



Engagement



- A public meeting held with the population of the Kuryk village to present and discuss the Ersai sustainability plan.
- Several meetings held in Nigeria with the Rumuolumeni communities with a view to updating the Memorandum of Understanding (MoU).
- Initiatives and projects for cooperation with local communities implemented in Angola, Bolivia, Brazil, Colombia, Congo, Indonesia, Kazakhstan, Nigeria, Peru and Venezuela.
- Cooperation in many countries with local schools and universities to encourage the development of human capital. Some initiatives include the organisation of internship and research projects (Angola, Azerbaijan, France and Indonesia), the distribution of scholarships (Croatia and Nigeria), and the provision of training courses (Nigeria and Italy).
- 7 representatives of universities and other local institutions, associations and non-governmental organisations in Europe, South America and Asia involved in Saipem's Materiality Assessment.

Approach



Saipem considers the needs of the local communities and contributes to their progress in terms of social and economic development and improvement of living conditions. Each operating company or project has a specific approach to relations with local communities that takes account of Saipem's role and the socio-economic and cultural context in which it operates. Saipem actively involves local communities in the implementation of initiatives aimed at promoting socio-economic development.

Local communities



Feedback

Non-governmental organisations can express interest in one or more specific topics on which they focus their attention and mission. In general, the issues that appeared most important to these stakeholders concerned education, environmental protection and biodiversity, and respect for Human Rights with particular attention to the subject of diversity. Generally speaking, the possibility of cooperating directly with Saipem on issues of interest is considered positive and advantageous.

Engagement



- Several initiatives for communities developed through partnerships and cooperation with non-governmental organisations.
- Cooperation with the Eurasia Foundation of Central Asia (EFCA) in Kazakhstan with a view to completing initiatives aimed at education in the local community.
- Work with Junior Achievement Azerbaijan (JAA) to reinforce the technical skills of university students continuing in the programme.
- In Angola, cooperation with the 'Mentor Initiative' on projects aimed at combatting malaria, and improving the skills of local medical personnel.
- 3 representatives of non-governmental organisations involved in Saipem's Materiality Assessment.

Approach



Through its institutional channels, Saipem regularly publishes information about its corporate governance and internal control system, its company management systems, as well as its objectives and performance. Moreover, in order to facilitate the implementation of specific projects, Saipem identifies organisations of proven experience with which to establish short or medium-term relations.

Local organisations and NGOs



Feedback

The suppliers involved in the training sessions provided highly positive feedback on the activities organised. The six Italian suppliers interviewed described Saipem as an important partner with which they had been able to grow, participate in challenging projects and cooperate for many years with satisfaction. The results of Saipem's Materiality Assessment highlighted the attention of the suppliers to issues of development of personnel and protection of their safety, security of assets and business ethics.

Interviews with Italian vendors can be read on pages 50-51.

Engagement



- Periodic meetings with vendors with strategic agreements.
- Audits on social responsibility at vendor sites in India, China, Bahrain and Saudi Arabia.
- HSE and social responsibility forums for local vendors in Angola, Saudi Arabia, Nigeria and Turkey.
- 89 suppliers surveyed, as part of the project of participation in the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas.
- Organisation of a Due Diligence day.
- Engagement of local vendors to participate and support community initiatives in Kazakhstan, Peru and Colombia.
- 19 suppliers and business partners involved in Saipem's Materiality Assessment.
- Interviews with 6 Italian suppliers of goods and services.

Approach



Vendors are often considered key partners for the success of Saipem's business. Saipem is committed to developing and maintaining long-standing relations with its suppliers. The process of Vendor Management makes it possible to assess the reliability of suppliers in terms of technical, financial and organisational capability.

Vendors





How SAIPEM CREATES SHARED VALUE



Saipem has grown from being an Italian-based company established more than 60 years ago, to a global leader in the Oil & Gas contracting services sector specialising in onshore, offshore and drilling services.

Since the beginning of its operations, the focus on working responsibly, collaborating with local stakeholders, creating long term value, and providing innovative solutions for its clients, have been key drivers of Saipem's business strategy and have generated success and recognition worldwide. These are the founding elements of Saipem's shared value approach.

This section illustrates the Company's approach to its material issues, describing commitments and the main initiatives undertaken in the reporting year.

A comprehensive approach to value creation

Creating shared value implies embedding sustainability in the corporate culture, meaning an inclusive business model and opportunities to generate long-term positive value for society.



E. Lattuada, The Three Musketeers, Nigeria

Shared value through Local Content strategy

The Company's inclusive business model aims to reinforce market opportunities for local suppliers and subcontractors, including by strengthening their competitiveness and capabilities. In 2015, about 68% of goods and services were purchased locally, amounting to €4.43 billion. Complementary strategies are focused on the

creation of employment opportunities and a robust and widespread capacity-building effort aimed at know-how transfer for local workers, the most important legacy Saipem leaves in the countries where it operates. In order to support its strategy, Saipem has developed a method to quantify this legacy in terms of both benefits for the people trained and for the country as a whole. The 'Human Capital Development' model measures the direct economic effect of training (calculated as the costs of training in the country), the indirect effect



Innovation, Research & Development

Providing the most advanced solutions to clients.

Enabling the industry to meet the global energy demand.



Local hiring and Human Capital Development

- Generating profit through a competent and committed workforce.
- Strengthening employee attraction and retention.

Creating job opportunities and increasing skills for local development.



Local and ethical supply chain

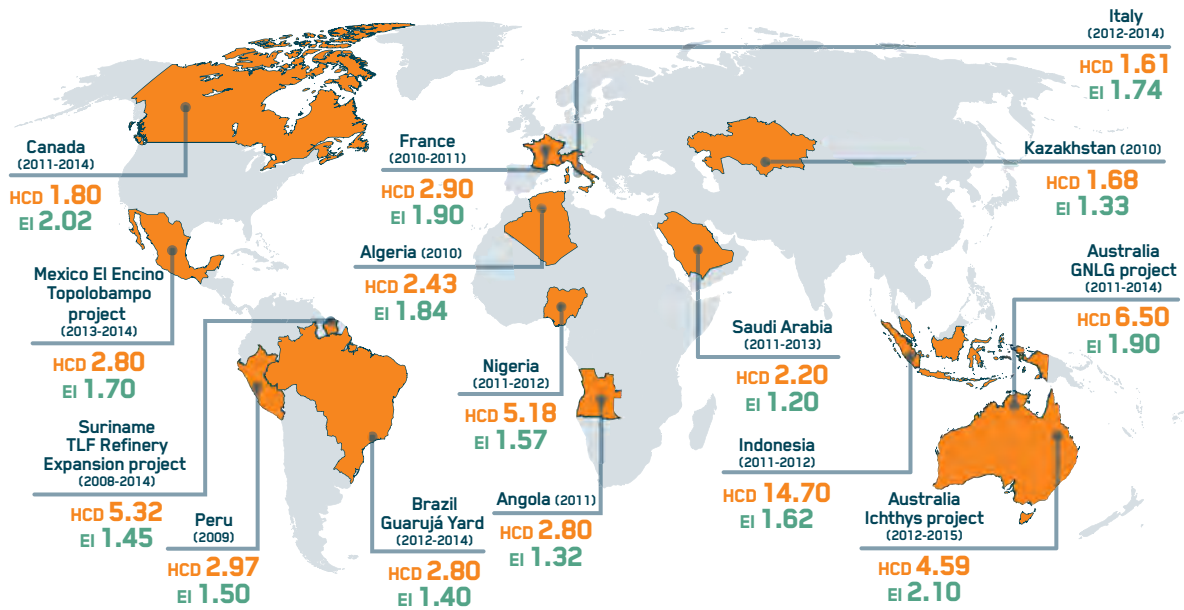
- Simplifying the supply logistic.
- Reducing counterparty risk and operational costs.

Supporting the local market. Strengthening entrepreneurial capabilities.

Value for Saipem

Value for Society

TOTAL MULTIPLIER FOR HUMAN CAPITAL DEVELOPMENT AND ECONOMIC IMPACT



Note:
 HCD = Human Capital Development.
 EI = Economic Impact.

(the increased lifetime earning expectancy¹ associated with training), and the induced effect (calculated as the overall effect in the country of the increased earning expectancies, household consumption and taxes). The results (see map above) show that in a country like Angola, each dollar invested by Saipem to train local employees has generated an additional 1.80 dollars in the Angolan economy. Similar ‘multiplier effects’ have been obtained for France, Brazil and Saudi Arabia, while for a country like Indonesia each dollar invested has generated an additional 13.70 dollars in the local economy, resulting in a total impact of 15 million USD spread over 5 years. Similarly, the value generated in the local economy by Saipem’s activities and operations is calculated by considering the multiplier effect of each dollar introduced

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

(1) Calculated over a 5-year timeframe.



Local community programmes integrated into business

Enhancing stakeholder engagement and licence to operate.

Supporting community well-being.



Long-term partnerships with local stakeholders

- Strengthening Saipem’s licence to operate.
- Reducing the risk of work interruptions.

More influence in addressing Saipem’s areas of intervention for local communities.



Safety

- Guaranteeing a safe workplace.
- Increasing operational efficiency.

Spreading a safety culture.

Creating value through safety

Being a global leader carries with it the duty to operate responsibly towards a number of stakeholders and towards society. The explicit and clear commitment of the Company towards environmental and social sustainability has historically been an integral and important element of its business model. The safety of its people, local communities and partners is a top priority for Saipem. The Company has in fact developed comprehensive management systems that meet the requirements of applicable laws and are certified in accordance with the most widespread international standards. But the meaning and value ascribed to human life by Saipem goes beyond all this.

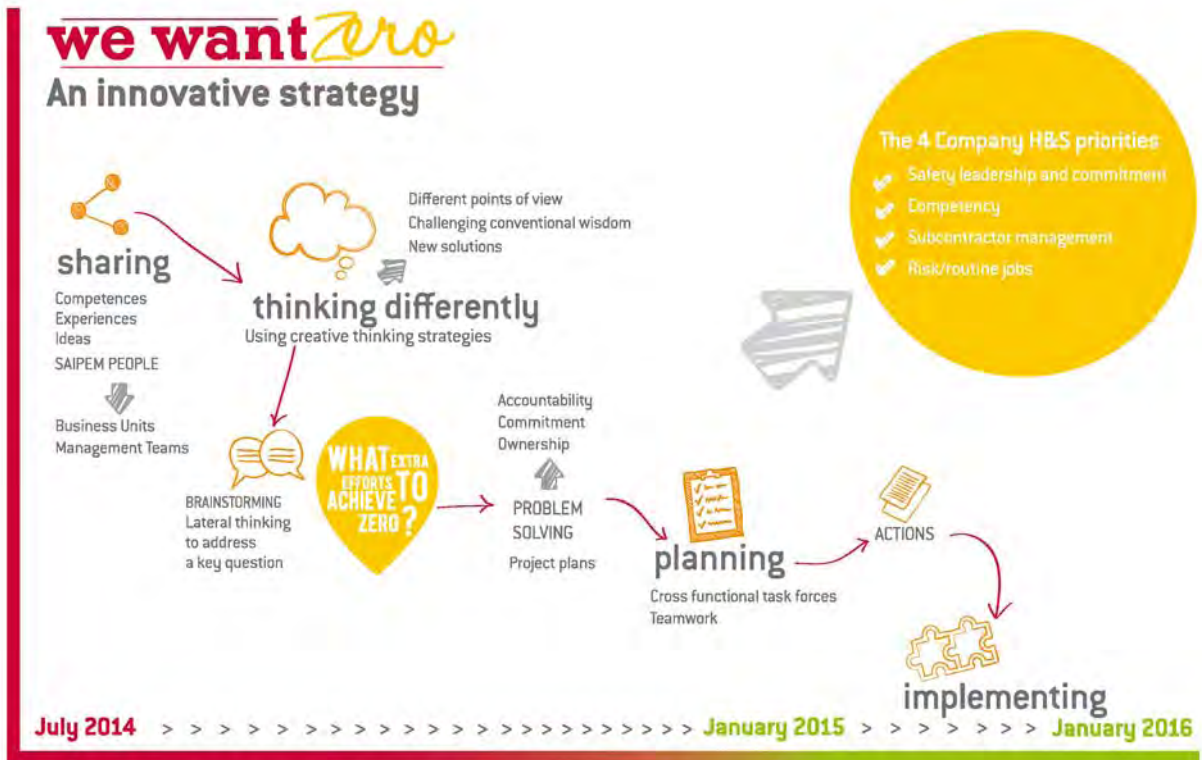
For several years, as a pioneer in the Oil & Gas contractor sector, Saipem has been proactively developing innovative cultural change programmes aimed at protecting human life, fostering a strong organisational safety culture, and disseminating safe behaviours that exceed traditional safety practices. During 2015, Saipem proceeded with the 'We Want Zero' initiative with the goal of achieving zero accidents in the workplace and answering the question 'What extra effort is required to achieve zero?'. In other words, 'We Want Zero' motivates people to seek innovative and effective

solutions, starting from their own experience, expertise and professionalism, but with a renewed awareness of the problems affecting the organisation that may have negative effects on its safety performance.

Following identification of the main causes of problems (20% of causes produce 80% of the problems) in the four business lines of the Company, and the definition of twelve action plans to tackle them, a number of programmes were initiated in 2015 covering all four areas of intervention identified. These are: reinforcing leadership and commitment of management to safety; giving priority to a competent, reliable and motivated workforce; proper management of subcontractors in order to ensure their full compliance with Saipem's safety standards; and defining a new approach to problems related to routine risks.

The quantity and scope of the actions, both completed and currently under way, created value by spreading a robust global safety culture shared with a broader community beyond the workplace and inspiring transformative behaviours within the business network and areas of influence.

See the 'We Want Zero initiative in action' on page 19.



Numbers



we want *zero* initiatives in action

Area of intervention	Actions	Expected/achieved targets	Status
	Rig Tutoring: appoint experienced Saipem Rig Toolpushers to monitor rig activities and tutor the drilling crews with the purpose of correcting hazardous conditions and unsafe acts that may lead to accidents (pilot programme in place in Venezuela). see page 67	Reduce number of accidents by delivering on-the-job training to rig crew.	
	Local cultural training for expatriate personnel: training involved 36 expatriate personnel from Italy, Peru and Colombia working in Venezuela, with the purpose of explaining the country's culture, customs and practices, and how to communicate with local personnel. see page 67	Help improve communication within the workforce in multi-cultural environments, creating trust and cooperation and facilitating the transmission of procedures/documents to local drilling personnel.	
	HSE real time operations: installation of video cameras on 2 drilling rigs connected to the Petrex Venezuela Base, allowing real-time monitoring of critical rig operations. see page 67	Real-time monitoring of rig activities and remote intervention in the event of observed unsafe operations. Images can be used in the event of accident investigations.	
	Job Safety Analysis (JSA) for routine operations: revision of JSA for routine operations and use of pictures to facilitate the explanation of critical routine tasks to rig crew. see page 67	Facilitate the steps of explaining activities during the tool box talks.	
	'Take care of your colleague': 5 training sessions organised in Venezuela involving a total of 60 people working on 2 drilling rigs. see page 67	Improve team work and communication skills of rig crew members.	
	Daily Tour and Five Stars intervention: random visit on site (every 2 hours) performed by Rig Supervisors and HSE personnel to assess the working areas, ensuring they are free of unsafe conditions and have a good level of housekeeping, with application of the Five Star intervention method to STOP unsafe acts/conditions. see page 67	Immediate intervention in the event of unsafe acts or conditions, identification of improvement areas and increase in the number of SHOC cards compiled.	
	Safety Leaders championship: Safety Leadership sixth-month contest organised on board the Saipem 12000 involving crew personnel with the motto 'each of us must become a safety leader'. see page 32	Active involvement of workforce and reward for proactiveness.	
	Leadership & communication workshop for drilling team leaders: 26 rig team leaders and Rig Senior Managers from Saipem 12000 and Scarabeo 9 involved in a two-day workshop. see page 31	Improve communication skills and build a commitment to action by integrating the new skills in the operational environment.	
	Human factors training course for area managers: 28 Drilling Managers from various departments participated in a course focused on the importance of human factors and non-technical skills in drilling crew management and how these elements impact operational safety. see page 30	New Oil & Gas standards presented to management.	
	'Know you barriers campaign': definition of the offshore drilling unit's barrier concept (i.e. barriers preventing major accidents and controlling the escalation of incidents) to identify a method for barrier management and share it with relevant personnel. see page 30	Ensure rig personnel and rig management are aware of and made responsible for the barriers they are managing.	
	Tool Box Wrap Up: introduction of a dedicated time organised on a weekly/daily basis by supervisors with the participation of the workforce to discuss and focus on the lessons learned and main events of the week (e.g. incidents, near misses, safety observations).	Involvement of the workforce to make a day-by-day contribution to safety discussions.	
	Top Management HSE inspection: HSE Management Meetings between CEO, COO and Onshore BU top management and Managers and Superintendents at site.	Fostering an HSE culture and discussing HSE project performances; enabling CEO, COO and Onshore BU top management to receive tangible feedback on safety from site personnel.	
	Development of a Model to calculate cost for incidents: to determine the economic benefits of working safely, considering both direct costs (e.g. insurance) and indirect costs (e.g. lost time, production delay, extra wages or overtime payments, sick pay, fines, legal costs, investigation time, loss of business reputation and contracts).	Demonstrate that working safely is more effective in terms of costs than working unsafely.	
	Reinforcing Subcontractor management: development of a more cogent methodology for vendor qualification and bidding phases; development of a safety training package specific for vendors to be used during the project execution phase, already validated at the Karimun Fabrication Yard; development of a communication guideline for endorsing the best subcontractors and to improve the vendor feedback evaluation.	Improve safety alignment and performance of subcontractors.	
	Use of a 3D model to prevent accidents: a 3-D model has been tested to anticipate HSE issues during the project execution phase (construction, fabrication and installation). This facilitates the organisation of virtual safety walks with views during the construction/fabrication/installation phase, thereby anticipating the main risks and allowing possible modifications in the plant to provide safer working conditions.	Improve HSE management during execution phase, especially when Saipem is in charge of integrating and/or installing equipment or modules supplied by others.	
	Highlight hazards of routine activities on board: reinforcing requirements for vessel management to coordinate and carefully plan routine tasks.	Enhance synergies among teams and capitalise on experiences.	
	Improve learning from mistakes: production of animations on significant high-potential incidents (development of 16 high-impact safety movie clips for employees and contractors, as part of the Life Saving Rules campaign), distribution of safety bulletins and discussion (i.e. weekly meetings, ad-hoc meetings, etc.).	Capitalising on experience enables learning from mistakes and leads to continuous improvement.	
	Competencies Assurance System: developed for Floaters personnel in order to ensure that competence evaluation is done through a structured and transparent system (revision of hiring criteria), identifying potential gaps and planning the relevant training accordingly. Already used on the Cidade de Vitoria project and on the Gimboa project.	Enhance technical competence of the workforce and develop appropriate training.	

Legend

-  reinforcing leadership and management commitment to safety
-  manage subcontractors in order to guarantee their full compliance with Saipem safety standards
-  competent, reliable and motivated workforce
-  new approach to problems related to routine risks

Renewed commitment to the Life Saving Rules

As an outcome of 'We Want Zero', at the end of 2015 senior management presented a campaign aimed at reinforcing the application within Saipem of the International Association of Oil & Gas Producers (IOGP) Life Saving Rules (LSR). The LSR are a set of 'non-negotiable' industry standard rules relating to the safe operation of a number of activities common to the energy sector. Saipem has already been and currently is complying with the scope of the rules as set out by the IOGP, as they had already been an integral part of the Company's workplace policies and procedures for many years. But senior management has considered it worthwhile to recognise once again the importance of having the same rules across the industry as a powerful way of ensuring a consistent approach to controlling high-risk activities, and as an additional incentive to engage subcontractors towards achieving the 'Zero' objective.

The initiative was designed to revitalise awareness and application of the IOGP LSR, tailoring it more to Saipem's specific context, and focusing on what each individual can do to ensure that the rules are known, understood and internalised within the Company.

Saipem has developed its own updated materials (interactive movie, pocket booklet & card, printable poster, digital presentation materials, Tool Box Talk and supporting safety alerts, etc.) to reflect the operational realities of the Company's various working environments. These have been translated into several languages and are accessible through a dedicated web page to allow individual personal learning or as part of a local campaign or initiative for the wider workforce. The campaign was launched by Saipem CEO Stefano Cao and, based on the Company's risk profile, three core rules, namely, Safe Working at Height (already started), Confined Spaces and Moving & Energised Equipment, were chosen as the main focus. Initiatives will be developed locally in the operating areas based on the local operational reality and the LSR tools will be customised as the local teams deem appropriate.

Life Saving Rules Campaign

Stage	No. of events	No. of sites	No. of participants			
			Saipem	Subcontractors	Clients	Total
LSR stage 1 - Campaign Launch	421	71	11,632	7,290	530	19,452
LSR stage 2 - Core rule 'Working at Height'	58	20	1,288	753	45	2,096

LHS FOUNDATION

In 2010, Saipem founded the **LHS Foundation**, which took its name from the Leadership in Health and Safety (LiHS) programme developed and implemented successfully at Saipem beginning in 2007. The aim of LiHS is to stimulate, at every level in the Company, a leadership mentality oriented towards the protection of basic Company values: health and safety in the workplace. Saipem's extremely positive

experience has, over the years, helped nurture a desire to make these values available outside the boundaries of the Company itself. The LHS Foundation is a **non-profit organisation** whose mission is to contribute, via research and continuous innovation, to the dissemination of a culture of health and safety. It does this by developing **training programmes,**

communication campaigns and sports and cultural initiatives targeted at businesses and freelance workers, students and, more generally, the entire community.



Further information on the LHS Foundation can be found at: www.fondlhs.org

Integrity-based business

Integrity and transparency are the principles that inspire Saipem in defining its Corporate Governance system, a basic element of the Company's business model. Saipem is committed to maintaining and reinforcing the Corporate Governance System, in line with the standards of international best practices and well-suited to the complexity of the Company's structure.



G. Turrini, Code of ethics. Let's wear a new PPE, Italy

The Governance system, along with the Company's strategy, is aimed at maintaining a relationship of trust between Saipem and its stakeholders and contributing to the achievement of business results, creating sustainable value in the long run.

Saipem's organisational structure is characterised by the presence of a Board of Directors¹ (BoD), 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. 3 committees with advisory and consulting functions have been set up within the BoD. These are the Audit and Risk Committee, the Compensation and Nomination Committee and the Corporate Governance Committee², an expression of the Board and chaired by the Chairman. The Corporate

Governance Committee has, among its tasks, also the assessment of the appropriateness of the commitment to the issues of corporate social responsibility and its external reporting.

The Sustainability Committee is the body ultimately responsible for the definition of the sustainability strategy, its integration with the objectives of the business and the assessment of the achievement of expected results. The body, chaired by the Chief Executive Officer and composed of the Directors of the Corporate Functions and Business Units, met 3 times in 2015 to discuss the previous year's results, to approve the Sustainability Report 2014, to approve the content of the 2015 Sustainability Report and the Sustainability Plan 2016, resulting from the structured process of materiality assessment conducted on both external stakeholders and on management and employees.

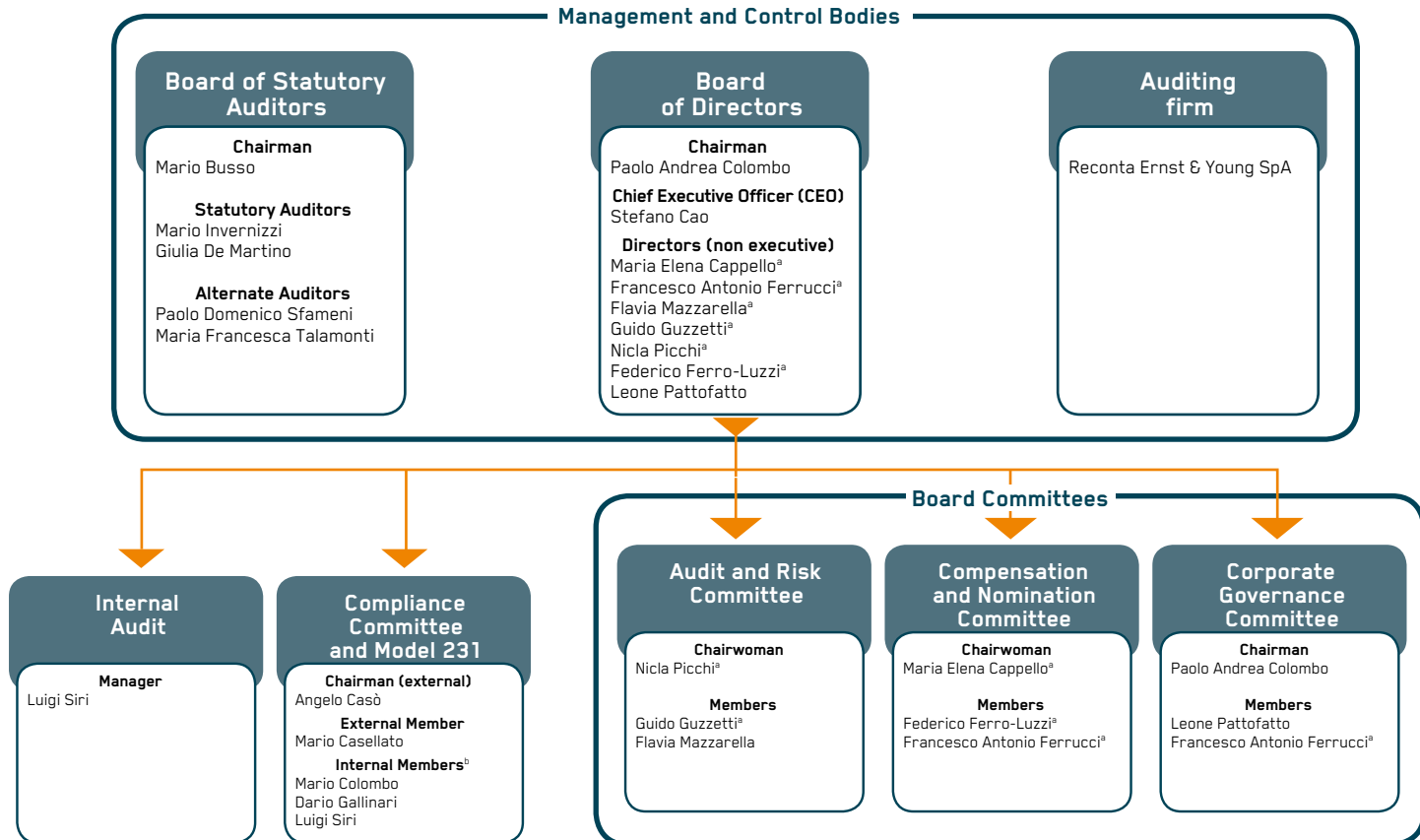
(1) The Shareholders' Meeting manifests the will of the shareholders through resolutions adopted in compliance with the law and the Company's Articles of Association. The current Board was appointed by the Shareholders' Meeting on April 30, 2015 for a three-year period, its mandate expiring at the Shareholders' Meeting called to approve the Financial Statements at December 31, 2017. The Chairman of the Board of Directors is a non-executive, independent Director.

(2) Further information regarding the previous positions and qualifications of the individual members of the Board of Directors are available from their CVs which can be found in the Governance section of the Corporate website and in 'Saipem's Corporate Governance and Shareholding Structure Report 2015'.

Corporate Governance structure

Shareholders' Meeting

Management and Control Bodies



(a) Independent.

(b) The Compliance Committee includes two external members, one of them appointed as Chairman, and three internal members of the following functions: (1) General Counsel, Company Affairs and Governance; (2) Human Resources, Organisation and Services for Personnel and (3) Internal Audit.

As of January 21, 2016.

Performance management and assessment

At least once every three months, the BoD receives, from the Directors with executive powers, a report on

the activities 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 receives information every six months from the Board Committees. The BoD approves the Strategic Plan which, alongside specific economic and financial themes, includes objectives related to the sustainability aspects of Saipem's business.

TRAINING PROGRAMME FOR THE BOARD OF DIRECTORS

Saipem has prepared and implemented a 'Board Induction' programme to allow the Directors to gradually get to know the Company. The programme, which consists of 3 modules and also involves the Statutory Auditors, was designed to provide the Directors with in-depth knowledge of both the industry and the Company's activities and organisation. In a series of meetings held with the top management, the programme detailed the activities and the organisation of the single business units and the main subsidiaries, while also covering sustainability strategy topics.

Further information on BoD responsibilities, functions and powers can be found in the Corporate Governance and Shareholding Structure Report 2015.

The performance is presented and discussed during the Board of Directors' meetings, which subsequently issues operative instructions.

Saipem has therefore established a comprehensive way of assigning objectives every year and evaluating the performance of senior management.

The first step is to define the Sustainability Plan. This

document is essentially a collection of the sustainability objectives that have been systematised and integrated into the business strategy, operations and management systems. Based on the outcomes of the materiality analysis, the specific objectives are defined for each material issue. Once the general plan is approved by the Sustainability Committee, a number of objectives are assigned to functions and business units.

Given the cross-cutting nature of sustainability, setting objectives and quantitative/qualitative targets for management is one of the ways to ensure full consistency between commitment and performance.

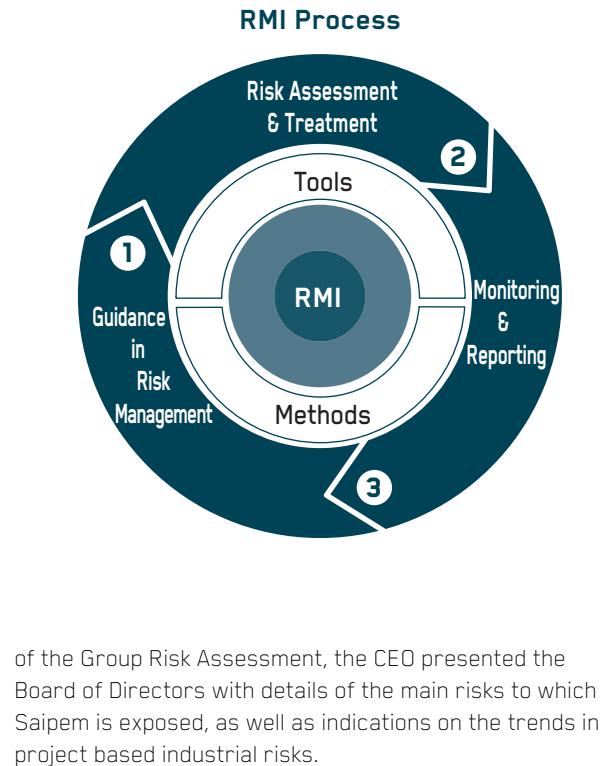
Saipem senior managers are directly involved in order to guarantee the comprehensive integration of the Sustainability objectives with the overall Business objectives of the Company. Each year, most of the approximately 400 Senior Managers are assigned individual objectives specifically regarding sustainability. The specific objectives defined take into consideration the managers' roles within the organisation and their contribution to reaching Company targets, mainly directed at the maximisation and development of Local Content, effective engagement of stakeholders, and minimisation of the social and environmental impacts of activities.

In general terms, all managers are required to promote, support and provide adequate resources for the implementation of sustainability initiatives and methods that are 'material' to the specific function, area of responsibility or business unit.

Risk Management

The Integrated Risk Management ('RMI') function was set up in 2013. In line with the policies defined by the Board of Directors with regard to the Internal Control and Risk Management System, it supervises the development and maintenance of Saipem's Integrated Risk Management System, the aim of which is to identify, analyse, treat and monitor risks the occurrence of which could affect the achievement of the Company's objectives. In 2015, the management of industrial risks was integrated into the RMI function.

During 2015, the RMI function carried out its 3rd cycle of Group Risk Assessment and developed a monitoring system for the main risks. It also performed a **Risk Assessment of 21 strategically relevant subsidiaries**. On February 24, 2016, and on the basis of the results



of the Group Risk Assessment, the CEO presented the Board of Directors with details of the main risks to which Saipem is exposed, as well as indications on the trends in project based industrial risks.

Integrity and transparency

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 BoD carries out a yearly Board Review on the size, composition (also in terms of gender and qualifications) and level of functioning and efficiency of the Board and its Committees. To this end, it relies on the assistance of a specialist external consultant.

The Saipem procedure, 'Transactions involving interests of Directors and Statutory Auditors and transactions with related parties', aimed at guaranteeing full transparency, as well as procedural and effective fairness for transactions with related parties, was approved by the BoD in 2010 and modified on March 12, 2012.

Saipem provides employees and stakeholders with an information channel through which it is possible to report any problems related to the internal control system, financial reporting, corporate administrative liability, fraud or other topics (i.e. violations of the Code of Ethics, mobbing, theft, security, etc.).

 Further information is available online in the Corporate Governance section.

Responsible Leadership

Saipem is facing new business challenges that require it to revamp its professional identity, starting from the principles and values that drive the organisation, and to develop new models of leadership.

The world is changing and leadership is not an exception. Leadership is not static; it is in continuous evolution. The definition of leadership is changing³.

This is the reason that inspired Saipem to develop its own Leadership Model, a new reference model that all Saipem people should adopt in line with the new Company strategy and identity, where the term leadership means more than just a tool for managers, as it also concerns the behaviour expected from each employee, regardless of his or her role.

The model is based on the following pillars: knowledge, vision, integrity, decision, people and communication.

It was designed using an integrated top-down and bottom-up approach: the top-down approach was realised through an interactive workshop with top management at the end of 2014 to define the model's fundamental principles and values.

The bottom-up approach was developed throughout 2015 thanks to 11 workshops involving Saipem personnel from Italy and abroad from different group companies, taking various operational processes into consideration. The first semester of 2016 will see the integration of the leadership behaviours identified within the main processes of human resources management, such as recruitment, training, development and performance evaluation.

Fighting Corruption

One of the key factors of Saipem's reputation is its ability to conduct business with loyalty, fairness, transparency, honesty and integrity in compliance with both domestic and foreign laws, regulations, similar mandatory requirements and international standards and guidelines that apply to its business.

Saipem rejects any form of corruption.

Since Saipem SpA has its headquarter in Italy, both the Company and its personnel are subject to Italian law and, in particular, to the provisions of Legislative Decree No. 231/2001, which regulates the administrative liability of legal entities deriving from offences, such as internal and international bribery, committed by their directors, employees or associates, in Italy or abroad, in the interest or to the advantage of said legal entities. As a multinational organisation doing business in 70 countries and jurisdictions around the world, Saipem and its personnel are also subject to the laws of many other countries, including any laws ratifying international conventions, and prohibiting the corruption of Public Officials and private parties.

These include:

- the OECD Convention on Combating Bribery of Foreign Officials in International Business Transactions;
- the United Nations Convention Against Corruption;
- the Foreign Corrupt Practices Act (FCPA) issued in the United States;
- the UK Bribery Act issued in the United Kingdom.

In accordance with the principle of **'zero tolerance' for corruption** expressed in the Code of Ethics, Saipem decided to face other risks head-on which may be encountered by the Company in its business activities by implementing a detailed system of rules and controls to prevent corruption-related crimes (the Anti-Corruption Compliance Programme), which is characterised by its dynamism and constant attention to evolving national and international legislation and best practices.

The Compliance Programme was introduced in accordance with applicable Anti-Corruption provisions in force and with the international conventions listed above. As part of the continuous improvement of the Anti-Corruption Compliance Programme, the BoD of Saipem SpA approved the update of its 'Anti-Corruption' Management System Guideline in June 2015, further reinforcing a number of internal rules, among which the main improvements can be summarised as follows:

- specific rules which require Saipem Personnel to avoid and report any situations that can lead to or cause a conflict of interest between their personal and family financial dealings and the tasks they carry out in the organisational structure or body to which they belong;
- more stringent criteria regarding gifts, payments or any other financial benefits, from and to Company personnel, to guarantee that they do not secure an improper advantage;
- specific rules were introduced concerning Anti-Corruption activities to be implemented in relation to local community initiatives;
- introduction of a wider definition of *Covered Business*

(3) Source White R. P., Hodgson P., Crainer S., 'The future of leadership: rising the corporate rapids into the 21st Century'.

*Partners*⁴ and more specific rules with respect to the due diligence process to be carried out before signing an agreement with counterparties and the clauses to be included in the agreement;

- with reference to the recruitment process, specific pre-hiring checks were introduced in accordance with and as permitted by applicable local laws;
- with reference to acquisitions and disposals, a broader due diligence process was introduced with reference also to the activities performed by the target Company;
- introduction of a specific reference to relations between Saipem personnel and Public Officials or Relevant Private Entities⁵. In this respect, a specific Standard Corporate Procedure was issued in August 2015;
- with reference to Anti-Corruption training, a specific rule has been introduced clarifying mandatory training programmes as a contractual obligation for Saipem personnel.

Business ethics training programmes

Saipem personnel are regularly informed of and trained in the Company's Compliance and Governance systems, as well as in the importance of compliance with legislation and related procedures, so that they clearly understand the different crimes, risks and relevant personal and corporate responsibilities, and the actions to implement in order to avoid being penalised for violating them.

Given the criticality of these issues, a training matrix on Compliance and Governance topics has been defined. In particular, it takes legal requirements and Company standards into consideration, as well as the jobs and responsibilities of the resources to whom the training is addressed.

With the goal of consolidating everyone's knowledge and awareness of Compliance and Governance and providing greater clarity and consistency as regards the numerous training initiatives launched over the last years, the matrix is a comprehensive tool for planning, executing and monitoring Compliance and Governance training.

The training matrix on Compliance and Governance topics is not a static tool. Rather, even after it was

issued, its updating and development will continue with the design phase (where necessary) and the delivery of training initiatives to offer a vast, uniform and systematic training catalogue (including both classroom and e-learning courses).

Anti-Corruption themes play a central role within the framework of the new matrix.

The Company organises institutional training meetings dubbed 'Welcome to Saipem', for newly-recruited graduates, with the goal of providing a general overview of the Saipem Group and its values and mission. It also organises courses on the 'Legal, contractual and insurance aspects of projects' for employees with a more advanced level of seniority and expertise, especially for personnel working in the Procurement and Project Management areas, providing tools to assess the impact of national and international regulations on contractual provisions and the precautions required to mitigate any associated risks. In addition, specific training sessions are organised for At-Risk Personnel (employees who have contacts with public officials or who may enter into contracts with third parties on Saipem's behalf) working in the countries where Saipem operates. Moreover, a specific e-learning module on the Internal Control System over Corporate Reporting was delivered to Saipem personnel in Italy and abroad. In the framework of the Organisation Management and Control (OM&C) model and Anti-Corruption training, Saipem organised numerous training sessions in 2015:

19

NUMBER OF COUNTRIES WHERE TRAINING SESSIONS WERE HELD

1,929

EMPLOYEES TRAINED

Respecting Human Rights

Human Rights-related risks are inherent to Oil & Gas business operations in terms of security management, intercultural and workforce issues, relations with local communities, etc. Human Rights topics were also included in the revision of the internal Company procedure for the social impact assessment study issued in September 2015 that can be applied to any new project, plan or intervention, to identify and assess all social impacts connected with Human

(4) Covered Business Partners include those partners who act not only on behalf of Saipem but also in its interest or is likely to have Relevant Contact with a Public Official during the course of its work for or on behalf of Saipem (for example, joint ventures, intermediaries, consultants, distributors, vendors at high risk, agents, franchisees, brokers, etc.).

(5) Relevant Private Entities are companies, consortia, foundations, associations and other private entities, even entities without legal personality (including credit rating agencies) performing professional, institutional or business activities, whose performance or non-performance may produce an advantage for Saipem or which may be of interest to Saipem.

Rights topics and, whenever possible, to modify, adapt or change a project's solutions to eliminate or minimise any negative impacts.

Security practices

With regard to security management, Saipem has been asking its external security companies since 2010 to include clauses that guarantee the respect for Human Rights in its contracts. Any non-compliance is due grounds for cancellation of the contract.

Every security contract must include clauses guaranteeing the respect for Human Rights.

In addition to this, for all new operational projects in which Saipem is responsible for Security, a Security Risk Assessment of 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 potential Human Rights violations.

Labour standards

Saipem is committed to progressively improving its capacity to monitor compliance with International Labour Organisation (ILO) conventions and encouraging third parties to comply with them. This is valid both for the management of its own

personnel and for the people employed by vendors and employment agencies.

The vendor qualification system includes requirements for complying with social and labour rights, with a special focus on child and forced labour, freedom of association and the right to collective bargaining, as well as on remuneration, working hours, discrimination, disciplinary procedures, and health and safety issues.

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QUALIFICATION QUESTIONNAIRES ON WORKERS' RIGHTS ANALYSED

In addition to the above, at the end of 2015, an updated internal procedure concerning the local employment agency management was issued. The aim was to reinforce the monitoring of ILO principles of the agencies, both during the recruiting phases and after the signing of the contract with the employee, for example in terms of insurance coverage, timely payment, compliance with all legal obligations and work permit validity.

Reporting alleged Human Rights violations

Since 2001, Saipem has instituted a procedure for reporting grievances regarding the System for Internal Control and Risk Management and other Issues in Violation of the Code of Ethics (that formally include the protection of Human Rights). The grievance mechanism is accessible to workers and third parties.

Human rights files	2013	2014	2015
Total, of which:	17	19	15
• founded or partially founded	2	1	1
• unfounded	15	16	8
• pending	-	2	6

'HOPE' FOR HUMAN RIGHTS

To translate commitment into practice and ensure enforcement of respect for both a comprehensive and practical approach to Human Rights, in 2013, Saipem launched an internal awareness training programme called HOPE (Human OPERational Environment) specifically for people working in community relations, Human Resources, Operations, HSE and Security to help identify appropriate managerial and behavioural solutions. The programme is interactive and is intended to be implemented in

relevant countries/operating sites. After the 2014 operational session in the Karimun Yard, in 2015 a workshop was implemented in the Ambriz Petromar fabrication Yard in Angola. The Ambriz workshop was specifically structured and adapted to the local Angolan context. In this case client representatives of the Kaombo Project also attended the workshop bringing their experience in this topic and actively participating in the discussion and role games.

Participants of the HOPE programme are in fact expected to discuss and familiarise themselves with relevant Human Rights concepts and to identify risks connected with Saipem operations in the specific area. One of the characteristics of the programme is to analyse the social, ethical and cultural environment and to be able to simulate a virtuous decision making process in case of conflicts.

 For further information on the HOPE workshop in Angola see page 56.

In addition to this, Saipem is working to develop an internal procedure to better define specific grievance mechanisms for collecting and managing complaints and claims from local communities for use by the whole group, in addition to a number of companies that already have their own systems in place.

A sustainable supply chain

Following up on the project started in 2011, Saipem organised its fifth audit campaign in 2015 at selected vendor operating sites to assess compliance with social responsibility throughout the supply chain. The audits aim to collect information on the performance of suppliers on major social responsibility issues such as child and forced labour, freedom of association and the right to collective bargaining, remuneration, working hours, discrimination and disciplinary practices, and health and safety. As a further objective, the campaign also verifies vendor compliance with Saipem’s principles. The results of the visits are condensed into audit reports that are submitted to the Sustainability Committee. As in previous campaigns, improvement actions are proposed where appropriate. In 2015, the main objectives were to:

- Follow-up on the improvement actions identified in previous audits to check their effective implementation.
- Perform two new assessment visits to China and India, as they are considered significant business countries.
- Focus on countries not covered by previous campaigns. Due to Saipem’s current operations, Bahrain and Saudi Arabia were selected.

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AUDITS ON VENDORS IN RELATION TO LABOUR RIGHTS CARRIED OUT

Although the audits were performed in critical contexts, the overall results showed no major problems in terms of child or forced labour and improvements were identified in employee management both in terms of health and safety and working hours. An analysis of the follow-up audit reports demonstrated the effectiveness of Saipem’s vendor social responsibility campaign: more than two-thirds of the vendors identified had implemented the corrective actions requested during previous audit campaigns.

For further information on the campaign in the Middle East see page 75.

Conflict minerals

Saipem proceeded with its programme to check the disclosure of the products it manufactures or contracts to manufacture containing tin, tungsten, tantalum,

and/or gold (known as 3TGs or ‘Conflict Minerals’) and if their trade has directly or indirectly financed armed groups operating in the Democratic Republic of Congo (DRC) or adjoining countries (Angola, Rwanda, Burundi, South Sudan, Congo, Uganda, Zambia, Republic of Tanzania and the Central African Republic). Saipem is making progress in its effort to increase awareness and further sensitise its suppliers with regard to the issues of conflict minerals.

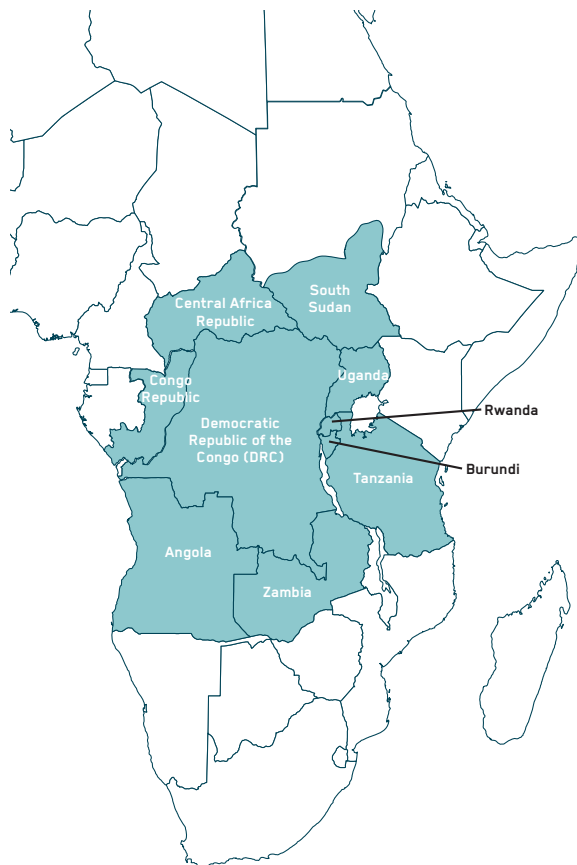
In 2015, Saipem implemented the following actions:

- the Company listed products and materials containing 3TGs necessary for business activities;
- it surveyed the vendors supplying these products;
- it issued a specific procedure, with the aim of standardising the internal process to identify suppliers involved in the annual survey, to define due diligence activities, and to obtain more manageable and measurable results.

Surveys conducted in 2015 on 89 suppliers have shown that 44 suppliers were conflict free and 45 suppliers needed to be involved in follow-up activities in order to further analyse their supply chains.

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SUPPLIERS INVOLVED IN THE CONFLICT MINERALS SURVEY



Moreover, in March 2015 **Saipem organised its first Due Diligence Day** involving suppliers that did not respond to the 2014 survey or only replied partially or provided inconsistent information. The main objectives of this initiative were to:

- describe in detail what the SEC (Securities and Exchange Commission) rule requires and what obligations Saipem needs to fulfil;
- better explain how Saipem must comply with these obligations and what information Saipem expects to receive from its suppliers in terms of 3TG usage and sources;
- work one on one with each supplier to better understand the usage of 3TGs in their products, the origin of 3TGs and which smelters are used in supplier supply chains;
- better understand the main obstacles to finding out the information Saipem asks of its suppliers;
- promote the use of conflict free certified smelters.

A CONSOLIDATED COMMITMENT FOR HSE STANDARDS AND THE SUPPLY CHAIN

The win-win strategy Saipem has established with its subcontractors also includes cooperation and engagement in HSE-related issues. Over the past few years HSE forums were delivered in different countries to subcontractors to help improve their knowledge and culture in the field.

On October 6 and 7, an HSE Workshop was held in Aliğa (Turkey) for the Aegean Refinery project with the attendance of 15 subcontractors, together with members of the TSGI JV (Tecnicas Reunidas, Saipem SpA, GS and Itochu) and SOCAR (the State Oil Co of Azerbaijan)/STAR (Saipem Taqa Al Rushaid) top management. The event was conceived with the dual goal of focusing: **first**, the attention of the subcontractor's top management on the six main causes of accidents at project sites:

- road transportation and driving;
- working at height;
- installation and hand tool use;
- material handling;
- heavy equipment in operation;
- maintenance of equipment.

And **second**, on the importance of Safety leadership to get the subcontractors' top management to commit to improving the Safety Culture on site.

The workshop included speeches made by different top managers sharing their experience on the

importance of a safety vision for projects.

They discussed:

- data analysis, explaining how good HSE performances can positively impact productivity;
- essential points for creating a safe worksite.

In order to focus on the main aspects to be covered during the workshop, a brief recap on Health, Safety and Environmental requirements was held.

During the two-day session subcontractors participated in proactive activities such as:

- **Communication:** at the very beginning, subcontractors were asked to share something personal.
- **Learning:** after this ice-breaking moment, subcontractors watched videos related to the importance of safety leadership and how it can impact their own family.
- **Action:** the interactive session ended with a special exercise. Subcontractors worked in groups to question their own expectations.
- **Sharing and discussion:** the project team made the same list of expectations and the Project HSE Manager, wrapping

up the debate, highlighted the strong points and the areas for improvement on the site and in project HSE management.

6 main subcontractors were asked to explain, by means of a presentation on a dedicated topic, how each activity should be performed following HSE procedures. Then, some examples of misalignment with the HSE requirements during site activities were presented by the Project HSE Manager and led to an open discussion among the parties. At the end of the debate, subcontractors filled in an Action Plan for each topic. They committed to implementing 3 actions at management/site level regarding safety aspects within an established date.

The follow up of these actions will take place during the monthly meeting with subcontractors. At the end of the workshop, after the final review, all the Action Plans were presented and everyone participating in the two-day session signed the wallpaper to confirm their commitment to:

- **The HSE values of the project.**
- **Take charge of the relevant actions described in the Action Plans.**



Further details on HSE forums in Nigeria and Saudi Arabia are available on pages 65 and 76, respectively.

Ensuring safety, integrity and reliability of operations

The pursuit of integrity in operations, meaning safeguarding people, partners, Company assets and the environment during the performance of Saipem's activities, is a top priority and a shared value among Saipem's people.



O. Furci, Close To The Connection, Brazil

Saipem adopts and implements international principles and best practices in order to safeguard integrity in operations.

Within the framework defined by the company policy, 'The Integrity in our Operations', roles, responsibilities and processes that entail the integrity of Saipem's operations are defined in company procedures that specify how to carry out processes from planning, to execution and control.

The three pillars of Saipem's approach to asset integrity are:

- employee expertise;
- maintenance process;
- operational capabilities.

Currently Saipem is designing a set of Key Performance Indicators in order to monitor the effectiveness of the three pillars for each asset of its drilling fleet, introducing threshold acceptability limits for each element and setting annual targets for improvement.

The safeguarding of health, safety and the environment is carried out in accordance with the principles of precaution, prevention, protection and continuous improvement, endowing all levels of the Company with responsibilities for HSE issues, and the definition of


specific objectives. The Saipem HSE Management System combines Health, Safety and Environment into a single comprehensive and harmonised overall management system. The company is committed to certifying the effectiveness and reliability of its management systems, as proven by the high percentage of group companies covered by certification: in fact most

ASSET INTEGRITY

Asset integrity is related to preventing major incidents; it is an outcome of good design, construction and operating practices and it is achieved when facilities are structurally and mechanically sound and perform the processes and produce the products for which they were designed. The emphasis is on preventing the unplanned release of hydrocarbons that may, either directly or via escalation, result in a major incident. Structural failure or marine events may also be initial causes that escalate to becoming a major incident. [Source IOGP Report 'Asset Integrity - the key to managing major incident risks']

CULTURE OF INTEGRITY: SAIPEM'S COMMITMENTS

- Implementation of international principles and best practices.
- Acquisition of certificates that attest conformity with national and international standards.
- Clear definition of roles, responsibilities and procedures to carry out planning, execution and control of processes.
- Monitoring the achievement of defined objectives, analysing variances, identifying and carrying out any corrective actions.
- Involvement of employees and development of training initiatives aimed at promoting cautious and preventive behaviours.
- Risk prevention, through a proactive approach in mitigating risks, as an integral part of management and business activities.
- Promotion of behaviours that are in line with its standards of integrity in operations along the supply chain.

 Further information can be found in 'The Integrity in our Operations'.

of the Saipem Group's operating companies (excluding immaterial subsidiaries and subsidiaries that do not have control or do not manage operating projects) are OHSAS 18001, ISO 14001 and ISO 9001 certified. In addition, some companies are working to extend their certification or for new certifications.

The effectiveness of the systems in place is demonstrated by the substantial improvements Saipem has seen in Total Recordable Incident Frequency Rates (TRIFR) in the last years.

The year 2015 has seen the pursuit of the '**Barrier Management Programme**', initially launched on Scarabeo 5 and 8, both operating in Norway, and aimed at training, informing and further empowering staff on 'process safety', 'safety cases' and barrier management. The barriers (technical, procedural and organisational) are identified as any actions that limit the occurrence of a 'top event', an adverse event related to major hazards in operating activities. At the end of 2015, 96% of personnel onboard Scarabeo 8 and 95% onboard Scarabeo 5 underwent training.

Human factors: the new frontier for the process safety management

The human factors discipline is concerned with understanding the interactions of individuals with each other and with other elements of complex systems (facilities, equipment and systems), and how these interactions could contribute or not to ensuring a safe workplace. Significant improvement in safety performance could be achieved by taking better and more explicit account of the way people interact with every aspect of the workplace while also taking the personnel culture and local environment into consideration. Dealing with human factors means applying a mix of scientific principles, lessons learned from previous incidents and operational experience to optimise the well-being of people working on a wide range of company aspects. Conscious of the important contribution that the proper management of human factors could make, Saipem has started to integrate human factors issues into its management systems.

Saipem recognises the management's commitment and leadership as primary drivers for a proper and effective approach to future actions, as they generate employee involvement with shared responsibility based on open and honest communication.

To accomplish this, programmes have been designed to involve Company managers in the process; the first one was a one-day informative/formative workshop held in March 2015. The event involved 28 Drilling operational department Senior Managers and administrative staff management. What human factors are, how human factors elements influence performance, and how human factors can be integrated in the organisational processes were presented during the training session. The next steps will see a more operative implementation of human factors management in drilling operational activities through the development of training packages and workshops, and in accordance with IOGP guidelines.

Human Factors Engineering

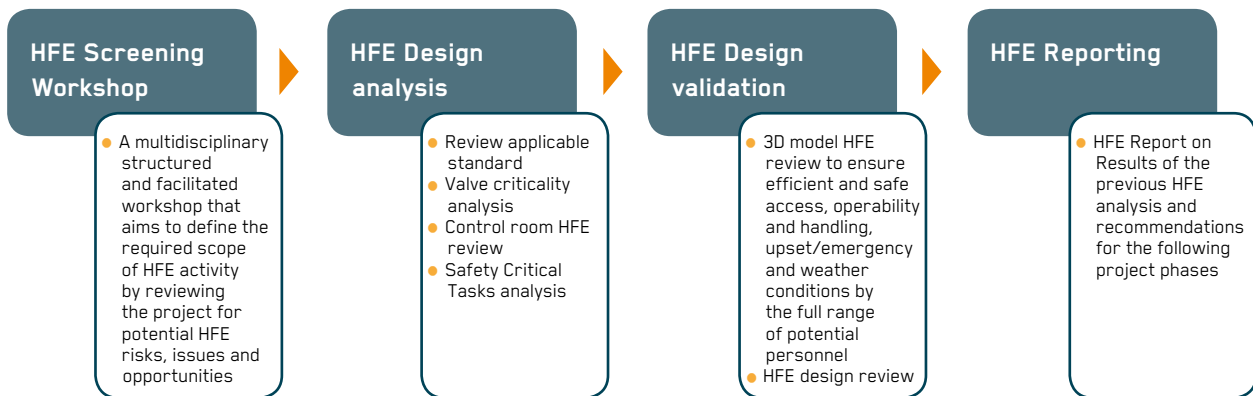
Human Factors Engineering (HFE) focuses on the application of human factors knowledge for the design and construction of socio-technical systems, to ensure that systems optimise human contributions to production and minimise the potential for design-induced risks to health, personnel or process safety.

Many human factors engineering issues can be controlled by ensuring proper compliance with the technical standards already in place. However, there are cases where what is specified in the standards does not necessarily cover design features necessary for supporting efficient, reliable and safe human performance.

Saipem has developed specific processes and methodologies to control human factors engineering related risks, as in the three modules described below:

- **HFE in projects**, whose purpose is to ensure that systems are designed to optimise human contributions to production and minimises potential design-induced risks to health, personnel or process safety or environmental performance through effectively integrating HFE principles in project development, from the bidding stage and after contract award.
- **HFE during project development (Construction/Fabrication/Installation)**, aimed at ensuring that human factors are taken into consideration during

HFE during project development



the definition of construction methods and erection sequences to achieve a design that is safer to construct. The core of the process involves HSE experts participating during the Constructability Reviews and the early identification of Construction Hazards.

- **Human Factors General Assessment** provides a tool to review Company Assets from an HFE standpoint in order to define possible reasonable improvements to be implemented or to proceed with a cost/benefit analysis to evaluate the feasibility or relevant Human Factors General Assessment investments. The goal is to provide a tool to assess existing facilities (e.g. fabrication yards, vessels, etc.) from an ergonomics stand point by means of structured walkthroughs, to be performed when required by site personnel and involving Management, Operations and HSE Personnel. Improvement actions indicated by the checkpoints are based on ergonomic principles applicable in the workplace and are usually directed to particular aspects of materials storage and handling, machine safety, workstation design, lighting, premises, welfare facilities and work organisation.

Currently HFE activities are being developed on projects in Kuwait, Egypt and Indonesia.

The interaction of human factors



Source: International Association of Oil & Gas Producers.

that encouraged knowledge sharing, where theory and best practices encountered rig operational experience. The second day saw the participation of Offshore Rig Senior Management. Through practical exercises and examples from day-to-day rig operations, team leaders explored the importance of verbal and non-verbal communication, the barriers to good communication and how to improve communication skills. Another theme dealt with Leadership styles in an operative context, and based on the participants' experience, their influence on team motivation was analysed. As a result of the workshop, the participants identified improvement areas to ensure a better communication flow between departments and within the teams. The Saipem 12000 was the scene of another innovative project aimed at reinforcing leadership attitudes of the crew in guaranteeing safe operations.

The 'Safety Leaders Championship' was developed by a multidisciplinary workgroup with the aim of increasing individual and collective leadership, recognising and

For further information on HFE activities in Indonesia see page 81.

Soft skills development to guarantee safe operations

Both technical and soft skills are necessary competencies for successful and safe operations. Considering the history of major incidents in the drilling industry, in 2015 Saipem developed a specific 'Leadership & Communication' workshop for drilling team leaders assigned on Saipem 12000 and Scarabeo 9. The two-day workshop took place at the Milan head office with 26 participants hailing from 8 different nationalities who were actively involved in an atmosphere

'This course allowed us to share our professional experience with individual personalities, putting people with different roles and experiences side by side around the same table.

The workshop produced a strong commitment on the part of the participants because it facilitated the exchange of ideas, speaking in public, working on the same team with management, and allowing us to make our own contributions to projects'.



Feedback from a rig manager on the 'Leadership & Communication' workshop

rewarding good initiatives (operational safety and operational improvements) performed by personnel, empowering the crew to intervene and stop unsafe acts and stimulating participation in HSE training courses. The Championship, which lasted six months, involved all departments working on the vessel, divided into 22 safety teams, each one captained by a safety leader (appointed by rotation on a two-week basis) responsible for motivating their team to actively participate in the Championship, using the safety tools available and spreading the safety orientation within the team. The safety teams competed to reach the highest championship score, calculated based on a series of indicators (On The job Assessments and Safety Hazard Observation Cards Analysis completed and participation in HSE Training Courses). During the championship, 3 training courses to improve the communication and leadership skills of crew, personnel and the working team and on operational safety were organised.

Emergency preparedness

Managing asset integrity means also planning and implementing robust emergency response barriers.

Emergency preparedness and immediate response is a clear imperative for the entire Oil & Gas business, also as a consequence of past tragic events. All the companies have been required to demonstrate their full capability and capacity to responding to any kind of emergency whether they encompass medical, environmental, asset emergency or natural disasters such as flooding, earthquake, etc.

As a consequence of its renovated commitment to the total integrity of its operations, in 2015 Saipem developed a new emergency response model.

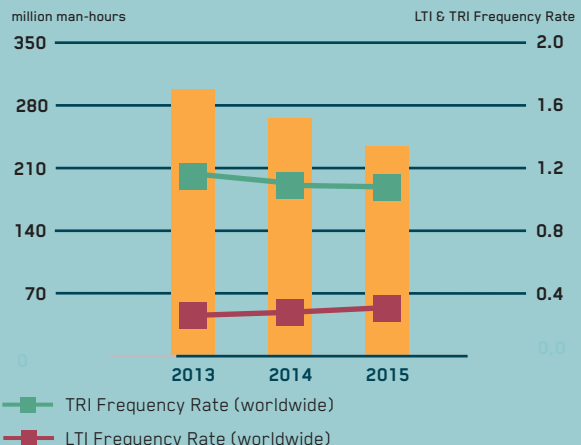
The model clarified and reinforced the roles and responsibilities of all the functions involved in operations, from corporate to operating companies and projects, with a special focus on their duties in analysing potential risks and threats and the processes to respond to them in a coordinated manner. Local crisis units and a Corporate Crisis Committee, represented by the Company's top management, was set up. In addition

SAFETY PERFORMANCE 2015

TRIFR (Total Recordable Incident Frequency rate) in 2015 was 1.08, hence below the established target of 1.09. Overall TRIFR performance in 2015 improved by 1% compared to the 2014 result of 1.09. This data underscores the fact that the overall number of accidents has decreased.

The Lost Time Injury Frequency Rate (LTIFR) is 0.31 (0.28 in 2014).

Unfortunately, two fatalities occurred in 2015 (Offshore & Drilling). The first was recorded during an offshore operation on board the Castoro II, when a worker was crushed between pipes in the conveyor area while blasting. The second was recorded on an onshore drilling rig when a worker sustained a fatal head injury, caused by the impact of a falling slip segment from a casing spider elevator.



It should be noted that safety data also includes Saipem's subcontractors operating within the work perimeter (not necessarily geographical) in which Saipem is responsible for defining, implementing and monitoring HSE standards.

to the revised crisis management model, Saipem has created a fully digital and best in class emergency and crisis room located in the Milan main offices, with satellite and digital communications, video conference facilities and several phone land lines.

A new web based portal was also realised, named 'Pangea', to collect and monitor all the documentation of the companies, vessels and projects related to the Emergency and Crisis process including emergency response plans, medical response plans and other information necessary to ensure a prompt response in case of an escalation of an emergency situation.

Reinforcing oil spill prevention and preparedness

Maintaining the integrity of company processes and assets also means preventing and minimising spills. In line with its HSE Policy, Saipem adopted a pollution prevention approach as a guiding principle for all of its activities, using its best efforts to prevent and take all reasonable precautions to avoid pollution or contamination of the land, air or water. Given the results of risk analysis on Saipem operations, spill prevention and preparedness are a top priority for Saipem. During the course of an operating project, every effort shall be made to ensure that all operations are conducted in order to avoid the risk of a spill situation or, whenever an incident occurs, to implement measures and actions to prevent its escalation. Among the three main phases when facing a spill contingency, which are prevention, preparedness and response, the first phase is clearly the most important area to be taken into account.

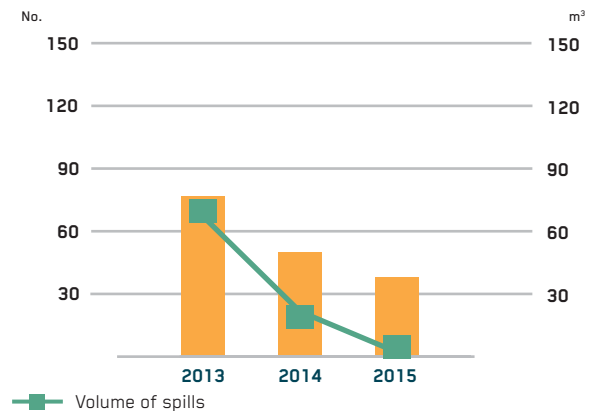
Starting from the identification of the main situations in which a spill of pollutants may occur, specific procedures define systems to control and avoid any release.

All personnel involved in spill response are duly trained in emergency drills, carried-out regularly as part of the annual drill plans, also in collaboration with clients and other entities involved.

The drill scenarios taken into account are of various types in order to cover all possible kinds of spills. Concerning specifically offshore activities, in 2015, Saipem vessels and offshore drilling rigs started the process of mapping oil spill critical areas/equipment in order to identify and document sources of potential pollution, assess the risk of spills and define mitigation measures.

This is an essential step in the development of a response strategy, but also a crucial tool for assisting responders in case of an incident.

Total spills




In 2015, spill number (38) and spill volume decreased compared to 2014 (50) and 2013 (77). 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.

SAIPEM OIL SPILL RESPONSE TEAM

Saipem has a specialised Oil Spill Response Team (OSRT) based in Fano (Italy) that is capable of providing a high level of Oil Spill Response Services. The Team is specialised in marine protection activities to fight pollution caused by the dredging of contaminated basins/industrial port areas and the management of vessel demolition at certified sites in accordance with the latest international regulations. Since the 1990s, the OSRT has been providing support to prevent and respond to spills in the Mediterranean Area to Italian public

authorities and private companies, as well as actively participating in oil drills. Since August 2011, the OSRT has been supplying courses on the subject of Oil Spill Response (OSR) and issuing certifications of attendance as a Certified Trainer by the Nautical Institute (NI), in accordance with IMO-OPRC regulations (International Maritime Organisation - International Convention on Oil Pollution Preparedness, Response and Co-operation). The Saipem OSRT is the first entity among Oil & Gas operators to be accredited by the

IMO as an institute that can certify company staff without having to resort to external certifications. In 2015, OSRT signed an agreement with Altec SpA, an Italian company specialised in engineering and logistics services to support operations and utilisation of the International Space Station. The agreement is meant to regulate cooperation in the development of a research project concerning the oil spill response sector, called 'EWIS: Early Warning Integrated System'.

 Further information available on page 53.

Environmentally efficient and reliable operations

Reliable operations mean also guaranteeing that Company activities do not cause damage to the environment.

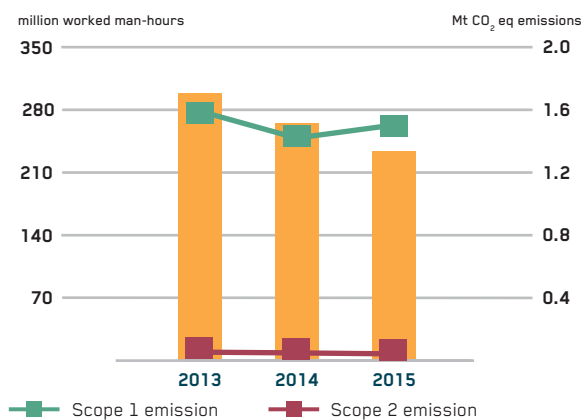
Saipem promotes different approaches that limit consumption and subsequent emissions into the atmosphere through the use of proven technologies and proposals for innovative solutions.

Through energy assessment studies conducted on Company assets, the main energy flows are identified starting from the source (local self-generation or electricity network) up to end users. Technological solutions and operations can then be defined in order to reduce consumption and increase the overall efficiency of the asset.

To date, these studies were evaluated on various types of assets, including offshore vessels (Saipem 7000), land and sea drilling rigs, fabrication yards and office buildings. Downstream of these studies, the interventions deemed most cost-effective were selected and appropriate measures were immediately implemented, allowing a saving in terms of energy consumption and emissions. In terms of replicability and reliability, the main interventions were as follows:

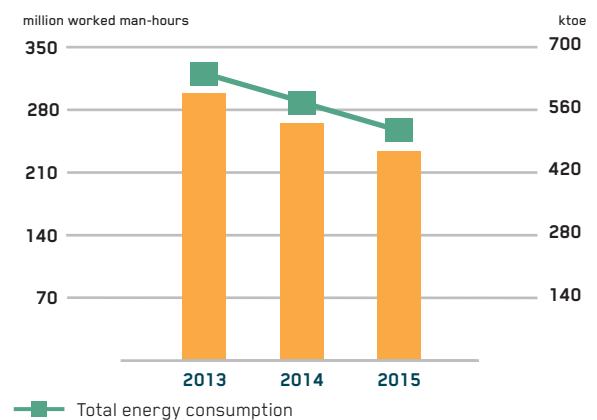
- Power Load Management - to manage loads when multiple generators are used.
- Heat Recovery - to recover heat from flue gas or other process fluids that would otherwise be dispersed.
- Variable Frequency Drives (VFD) - to modulate consumption of electric motors based on the actual need.
- Standby power reduction - to avoid hidden residual consumption on equipment not on line.
- Optimisation and replacement of lighting systems with more efficient technologies.
- Elimination of leaks in the lines (example: compressed air).

Total GHG emissions



In 2015, the total value of Saipem Scope 1 emission is 1,504 kt CO₂ eq (1,420 in 2014 and 1,539 in 2013). It should be noted that the methodology to calculate direct GHG emissions was modified in 2015. Regarding Scope 2 emission the total value is 43 kt CO₂ eq. Further details and a description can be found in the 'Sustainability Statements' of the Annual Report 2015.

Total energy consumption



In 2015, Saipem consumed 514 ktoe of energy (564 in 2014 and 622.6 in 2013). Energy consumption by worked man-hours increased slightly in 2015 (2.19) compared to 2014 (2.12) and to 2013 (2.08). Further details on this performance can be found in the 'Sustainability Statements' of the Annual Report 2015.

TRANSPARENCY IN CLIMATE CHANGE

Carbon Disclosure Project (CDP) is an international non-profit organisation that collects data and information on GHG emissions and company strategies and actions to reduce emissions and face climate change risks. GHG emissions reduction is one of the most important environmental aspects for society as also confirmed by the COP21 agreement signed by 195 countries in Paris in

December 2015. Saipem has participated in the Carbon Disclosure Project since 2009, increasing its score from 47 (2009) to 92 B (2015) and has also shown a positive trend considering its 2014 score (81 C). The Disclosure Score (0-100) measures the completeness and transparency of a company's disclosure on climate change issues (strategies, energy

efficiency initiatives, targets and GHG emissions data); the Performance Band from A (max) to E (min) measures performance in terms of GHG emissions, reductions due to specific activities and accuracy of GHG data. It is worth mentioning that Saipem's 2015 score was higher compared to the 2015 Industry Group Average and the overall 2015 CDP Programme Average.

CONSERVING BIODIVERSITY AND ECOSYSTEMS

As stated in Saipem's Sustainability Policy, the conservation of biodiversity and ecosystems is an essential component of the Company's approach to environmental preservation in project execution. Based on a project's peculiarities, these aspects are considered and integrated into the objectives and operating practices along the project's entire life cycle, applying principles that are consistent with internationally recognised guidelines and standards on biodiversity. In particular, the Company's

environmental management systems applied to operating projects include the proper identification and evaluation of all potential impacts on biodiversity and ecosystem services deriving from its operations, and the implementation of appropriate mitigation actions to minimise any adverse effects. In addition to that, further initiatives could be defined, also in partnerships with local entities, to

create awareness and reinforce the concept of biodiversity and ecosystems as contributing to value creation for society. Furthermore, Saipem is committed to promoting research and development and technological innovation to reduce the impacts on the environment and biodiversity, using both internal resources and collaborating with other experts in the engineering and Oil & Gas sector.



Some more practical examples of Saipem's commitment are described in the 'Biodiversity' leaflet.

Saipem also has an engineering unit dedicated to developing innovative solutions to reduce the electricity needs of existing or new industrial plants, thereby making the process more sustainable in terms of resource consumption. The development of technologies such as ORC (Organic Rankine Cycle) and Mini-Hydro are examples of what has been achieved by the Company, as well as developments for introducing the use of renewable resources for the production of process heat or as stand-alone plants.

Finally, Saipem has solid experience in the technologies that make up the chain of 'CO₂ Management', from capture, transport and storage. It has developed projects and case studies in CO₂ segregation through technical Acid Gas Injection (AGI), or Enhanced Oil Recovery (EOR).



For further information see the 'Saipem innovation showcase' on page 37.

Operational excellence: built to be at the top

Saipem's capacity to innovate is a key component of value generation. In fact, the most important contribution Saipem makes in creating value for social progress is in its capacity to innovate, in the widest sense of the term, doing its business: enhancing its technical and engineering knowledge, developing more efficient systems and processes to make the most of natural resources, applying its expertise, talent, and resources to serve as a catalyst for development by a range of partners.



W. Z. Tang, Castorone, Singapore

Saipem's history is based on a strong propensity to change, technological development, new instruments and successful operating methods. It is in the company's DNA. The success of many of Saipem's projects, as well as one of the main sources of Company competitiveness, are driven by technical advances: indeed, technology innovation is essential to the Company's success of most of its operations as it enables Saipem to identify and anticipate the future needs of the Oil & Gas industry, as well as to provide clients with the most advanced solutions. But technological innovation nowadays is often aimed also at either improving energy efficiency, saving in terms of reducing the quantities of raw materials used, reducing the environmental impact or the risk of undesired events. Technology innovation for Saipem is, on the one hand, an enabling factor for achieving improved operational performance, for exploiting new and challenging opportunities and, on the other, an essential element for reducing the impacts of construction activities. It is either developed in steps 'from initial idea to application', or conceived directly in the field as a result of a problem solving approach.

Innovation is one of the main pillars for meeting the competitive challenge.

Over the years, Saipem has counted a great many in-house innovations which brought and are still bringing significant added value to Saipem's current and future projects, whose most recent include:

- new and faster pipeline welding technologies which allow an increase in productivity and the quality of girth welds on clad and carbon steel pipes, increasing the reliability of the final product;
- innovative laying and trenching technologies, also allowing for successful operation in shallow and ultra-shallow waters and in very cold climates;
- development of innovative solutions for subsea field exploitation, comprising new SURF and subsea processing technologies and development of an industrial model for a subsea factory;
- innovative FLNG offloading systems;
- adoption of new drilling techniques for ultra-deepwater operations;

- innovative rigs for harsh/arctic operations;
- continuous development of advanced solutions in the flagship urea synthesis process technology, which greatly contributed to improving the success in selling licenses and plants on an EPC basis;
- worldwide recognised know-how and technological capability in very complex technologies such as LNG and gasification or hydrotreatment of heavy oils.

Saipem innovation showcase

A list of the latest and most significant innovations by area of application is provided below.

Technology for the SURF market

- 'Single independent riser' technology: designed to improve fatigue behaviour and to extend the application range far beyond 3,000 m of water depth.
- 'Heat traced pipe-in-pipe' for rigid J-Lay: extends the application of the most efficient active heating technology to larger diameter risers and flowlines, for even longer tie-back lines.
- 'Fusion bonded joint' technique: enables the installation of plastic-lined pipes for highly corrosive fluids, instead of more expensive clad pipes and is an example of technology designed to reduce costs, an aspect of paramount importance especially in the current low oil price scenario.

Materials technology

- 'Internal plasma welding' technology for carbon steel and clad sealines, successfully used on projects in Asia, the Middle East and the Caspian area to increase productivity and achieve higher quality at lower costs. New and even faster welding and field joint coating techniques, exotic and composite materials for pipes, spools and ancillaries are under development, to fight corrosion and fatigue and for

high pressure and high temperature applications.

- Saipem Welding System (SWS): an automatic welding machine to optimise sealine installation.

Offshore technology

- Subsea field developments: development of skills, high technological leverage and strong contents in subsea processing and subsea remote operations, especially for subsea water treatment and injection in subsea gas/liquid separation, liquid/liquid separation, repair and connection systems, and other subsea engineered systems.
- FLNG business: qualification of a new tandem offshore system that uses cryogenic floating hoses developed in partnership with Trelleborg to increase LNG offloading operation up-time and safety.

New remote intervention technologies

Remote operation and intervention technologies are key to the success of subsea installation and in the life of field subsea markets.

- Saipem, through its Sonsub business line, has just developed and manufactured the first prototype of the Innovator 2.0, the new generation, high power, work class ROV (Remote Operated Vehicles). This is a vehicle with very high reliability (certified by DNV and Norsok), rated for a power of 200 hp in 4,000 metres of water depth, high bollard pull, high payload and with advanced navigation and extended survey capabilities.
- Following the success of one of the most challenging subsea interventions ever carried out, the oil recovery from the Prestige wreck, OSRL (Oil Spill Response Ltd, a consortium comprising most of the major oil companies) assigned Saipem with a project to conceptualise, design, test and fabricate a novel system to transport and install a hard-cap on a subsea well in blow-out, in less than 500 m of water depth, a range considered critical. The system, now under construction, should indeed allow installation operations to keep a distance of at least 500 m from the spill, minimising risks for the intervention fleet and ensuring response readiness.

Main fleet vessel innovations:

Normand Maximus

Normand Maximus is a new, top-class, offshore construction vessel owned by Solstad and chartered by Saipem currently under construction at the VARD



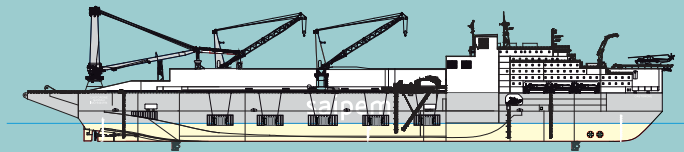
Collaboration with the Politecnico di Milano for LNG regasification technology

The regasification of LNG (liquefied natural gas) is obtained using the heat supplied by sea water in a relatively inefficient way. Saipem has studied several options for enhancing the energy efficiency of regasification of LNG in collaboration with the Politecnico di Milano, the most prestigious technical university in Italy. Results show a significant reduction in energy consumption compared to state-of-the-art is achievable by combining known and new techniques. The most promising solutions identified will be further developed to achieve commercial readiness.

Saipem's E&C flagship

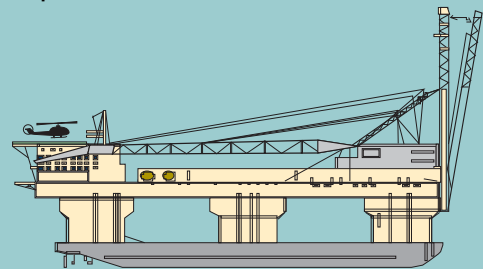
The Saipem Group possesses a strong, technologically advanced and highly versatile fleet, as well as world class engineering and project management expertise. These unique capabilities and competencies, together with a long-standing presence in strategic frontier markets, represent an industrial model that is particularly well suited to EPCI projects.

Castorone



Ice class pipelaying vessel which can perform S-lay in shallow waters and steep S-lay in deepwaters (more than 2,000 m/6,562 ft), switching to J-lay mode for ultra-deepwaters (up to and more than 3,000 m/9,842 ft) or where the project requirements limit pipe bending and longitudinal stresses. This versatility has been achieved through numerous distinctive features such as a DP-3 dynamic positioning system designed for pipelay operations; a high bollard pull to counteract pipe bottom tension; and a ramp system with pipe roller supports that is fully remote-controlled without having to abandon the pipe, and capable of attaining a near-vertical ramp exit angle.

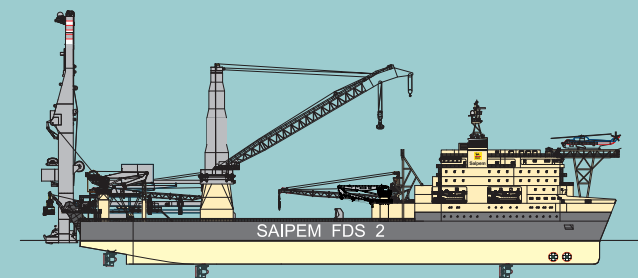
Saipem 7000



Semisubmersible crane vessel with a state-of-the-art J-lay tower, upgraded dynamic positioning capability and fast ballasting system. It has the

capacity to handle the entire workscope of offshore construction developments worldwide, encompassing pipelaying in water depths greater than 2,000 metres and heavy lift operations up to 14,000 tonnes. The vessel's Class 3 DP system of 12 thrusters ensures that the vessel maintains good station keeping even in the most difficult weather conditions.

FDS 2



Multipurpose monohull dynamically positioned crane and pipelay (J-lay) vessel utilised for the development of hydrocarbon fields in deep waters, equipped with cutting-edge class 3 DP and pipeline fabrication systems. The FDS 2 has a vertical J-lay tower with a holding capacity of 2,000 tonnes capable of laying quad joint sealines of up to 36' in diameter and also possesses the capability to lay pipes in S mode.

shipyards and with delivery expected in 2016. This DP class 3 vessel is the result of an innovative design philosophy that couples SURF installation capabilities with ultra-deepwater field development activities, as per Saipem requirements. It combines high-end subsea lifting capabilities of up to 900 Te with exceptional main deck and below deck payload abilities and with a 550 Te vertical laying system. *Normand Maximus* is designed to perform under the harshest environmental conditions, with multiple levels of redundancy. It will be equipped with two Innovator 2.0 ROVs in enclosed hangars with dedicated moonpools and cursor systems to allow deployment of the ROV with up to 7 metres of significative wave height. The vessel received the Clean Design Class Notation, achieving a 95% NO_x emission reduction with the selective catalytic reduction system.

Urea plants

- Snamprogetti™ Urea Technology: Saipem has contracted or licensed more than 130 plants with its proprietary technology for a total urea production exceeding 222,000 tonnes per day all over the world. The fluid dynamics of a urea reactor can be significantly improved by the introduction of the latest generation of high efficiency trays recently invented and patented by Saipem. The support of a systematic plan of fluid-dynamic simulations was a significant contribution to the development of the innovative design.
- Snamprogetti™ SuperCups greatly increase the mixing of the liquid and gaseous phases, thus optimising the product conversion rate in the reactor: the immediate benefit is the lower specific steam consumption requirement in downstream sections and, therefore, lower emissions of GHGs. Implementation of the new internals for the urea synthesis reactor was recently and positively carried out in two industrial plants. In newly-built plants the chance of building smaller reactors for the same capacity will also lead to savings in the needed amount of expensive construction materials. At the same time the 'Urea Zero Emission' project is proceeding and several solutions are currently being developed to make urea plants completely neutral toward the external environment.

Other activities

'Moss ECO' solutions - Moss Maritime, an engineering company fully owned by Saipem, has developed the new 'Moss ECO' line of green technologies for application on drilling semisubmersible rigs, drill ships, platform supply vessels and anchor handling tugs. These solutions share the common goal of maximising energy saving and minimising the environmental impact during offshore drilling operations.

New technologies for energy recovery in onshore plants

- Onshore plants, like oil refineries, petrochemical units, and oil extraction plants, typically use energy derived from fossil fuels, either produced on site by fuel combustion or

imported as electrical power. There are however many situations, both logistically and geographically, that may favour the use of renewable energy, reducing the import of conventional energy and enhancing sustainability of operations. Saipem has developed a series of studies, taking into account different types of renewables. For example, options were studied and defined for the exploitation of water heads typically present in hydraulic loops of refineries and petrochemical plants for the production of hydro-electric power (at zero carbon footprint) resulting in a lower need to import energy. While other studies were carried out on the oil extraction fields, in which steam injection is used for Enhanced Oil Recovery (EOR), and steam is usually produced from the combustion of fossil fuels, thus contributing to increase the carbon footprint of oil production. The alternative use of Concentrated Solar Power (CSP) was studied, resulting in a more sustainable approach to EOR.

Continuous improvement for remediation - Saipem owns specific knowledge in the field of environmental protection and remediation, applied either in specific remediation projects for clients or in EPC projects and continuously improved through innovation. Among the latest achievements, it is worth mentioning the development of a SoilGis software to define the propagation ('Fate and Transport') of contaminants deriving from accidental oil spills and chemical releases in the soil to ensure prompt and efficient containment and remediation actions.

Engaging employees and energising innovation

Since 2003, with the institution of the **Innovation Trophy**, Saipem has sought to reward employees who bring their innovative spirit, advantages and concrete results to the Company. Since its inception, attention was mostly directed towards technology development and several hundred proposals respecting the main criteria that define innovations (originality, resulting benefits, spirit of initiative) were received. A few of them have laid out Saipem's most important successes in the recent past. It was decided to launch a new edition in recent years that would also target innovation developed outside of the traditional R&D/technology development efforts by awarding Management Process innovations.

Finally in 2015, a new special prize was introduced for technology innovation to acknowledge the sustainability value of Company operations.

Beside these efforts, Saipem has recently encouraged other forms of innovation, i.e. promoting innovative behaviour for the day-to-day operations of the Company. A new initiative was launched at the end of 2015, called 'Idea Innovation Challenge' (IIC), to encourage new innovative ideas through collaboration and knowledge sharing using crowd-sourcing tools. The IIC involves all Saipem people in the innovation process, allowing them to propose their own ideas to solve real specific business challenges.

Saipem's Drilling flagship

At year-end 2015, the Saipem offshore drilling fleet consisted of 15 vessels: 7 deepwater units for operations at depths exceeding 1,000 metres (the drillships Saipem 10000 and Saipem 12000 and the semi-submersible drilling rigs Scarabeo 5, Scarabeo 6, Scarabeo 7, Scarabeo 8 and Scarabeo 9), 1 for mid water operations at depths of up to 500 metres (the semi-submersible Scarabeo 3), two high specification jack-ups for operations at depths of up to 375 feet/114 metres (Perro Negro 7 and Perro Negro 8), 4 standard jack-ups for activities at depths up to 300 feet/91 metres (Perro Negro 2, Perro Negro 3, Perro Negro 4 and Perro Negro 5) and one barge tender rig (TAD).

Saipem 10000

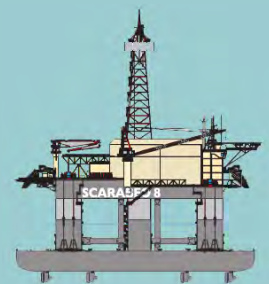
5th generation ultra deepwater drillship, can operate up to around 3,000 metres underwater and drill up to approximately 10,000 metres in depth. The ship



has an integrated, automated control and monitoring system. The drillship is designed to function as an integrated unit allowing all systems including propulsion, power management, power generation, fluid flow systems, fluid storage systems and drilling systems to be monitored and controlled via a single integrated monitoring and control network. The unit is 'zero pollution' certified.

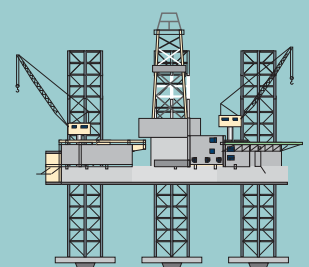
Scarabeo 8

Last generation semisubmersible drilling unit, it represents the state-of-the-art of harsh environment and unmanned operation drilling units. The unit complies with Norwegian regulations and standards and holds the Basic DNV Winterization class notation level. Scarabeo 8 is classified to operate with a dynamic positioning DP3 system or moored thrusters assisted. The unit is designed to be 'zero pollution' and 'zero discharge' in compliance with the strictest environmental regulations.



Perro Negro 8

Self-elevating, non-propelled drilling platform, suitable for worldwide drilling operations. It is rated for 350 feet water depth and has a drilling depth capability of 30,000 ft. The jacking structures consist of three columns, connected to the hull around the *leg well* at the lower side and by means of bracings at the top above the main deck.



A TWO-TIME AWARD-WINNING PROJECT

In 2015, the internal Innovation Trophy prize was awarded by the Narrow Marine Crossing project in Australia where Saipem realised one of the world's longest trenchless marine pipelines.

In order to minimise the environmental impact of pipeline construction activities, Saipem built a 4-metre wide undersea tunnel enabling the pipeline to cross the Narrows without causing any disturbance to the local marine habitat, wildlife and surrounding coastal environment. The most innovative aspect of this project, never performed before in the Oil & Gas industry, is the utilisation of a pipe thruster machine to launch a

pipeline in a tunnel. The Narrows Marine Crossing project is an example of technological excellence applied to sustainability which aims to reduce the environmental footprint of all the operations, particularly in areas with a delicate ecosystem. Beside the internal award, the project technologies innovation developed for the Narrow Marine Crossing project in Australia also won the '2014 Premier's Sustainability Award', for the 'Innovation in Sustainable Technologies' category. The Premier's Sustainability Awards are a state-wide programme that recognises the achievements of Queenslanders in adopting

sustainable practices. As pointed out by the jury, 'the massive pipeline project to cross 'The Narrows' waterway in Gladstone offers vastly improved environmental benefits compared to other construction options and trenching in particular. Building the tunnel eight metres below the seabed has prevented disturbance to marine habitats, wildlife and surrounding coastal environments. The tunnel has set new standards for marine crossings in environmentally-sensitive areas and is already being adopted by industry peers as best practice.'
[source: <https://www.ehp.qld.gov.au/premiersawards/2014-finalists-winners.html>]

The Knowledge: a key factor for Saipem



Within Saipem's commitment to having a competent workforce, the goal of the K-Factor project is to improve the Company's ability to map, develop and monitor skills considered critical for ensuring the reliable development of operations. This special project represents a critical success factor for Saipem thanks to the investment in the knowledge and skill of its people, a key element for a knowledge-based organisation such as Saipem. The K-Factor project has two core activities: the K-Map and K-Model initiatives. The K-Map campaign, launched to map the professional skills and experiences of the Company's crucial roles, is still under way. Mapping is achieved mainly through the skills evaluation process (which allows for identifying the Professional Role coverage). At the beginning of 2016, around 3,600 resources were mapped, covering 116 roles. The mapping output makes it possible to analyse the role coverage and any relevant gaps and professional experiences gained, all core elements in the training and

development of resources. The main initiatives included in the K-Model, as a knowledge management system, are:

- **Review of internal development paths** with a focus on crossover skills, an even tighter link for planning resources, valuing the singularities of the local entities with the goal of ensuring carefully targeted communications aimed at people.
- **Definition and update of the Training Matrix** with the definition of the training contents available in Italy and abroad.
- **Definition of the Job Training model** to monitor, track and assess the transfer of know-how on the job.

18,446

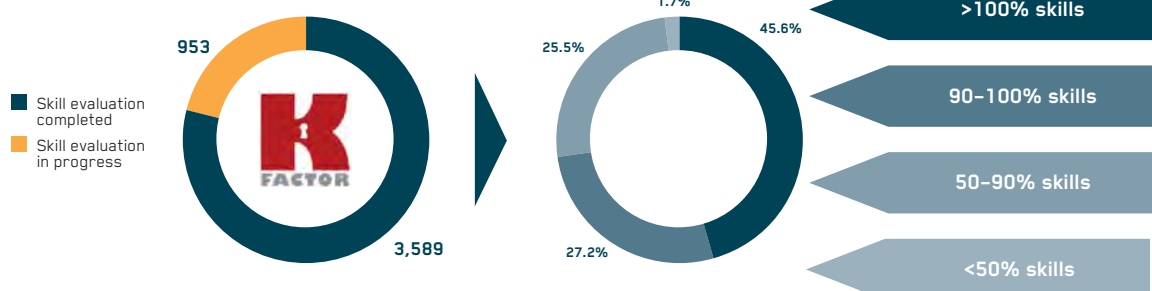
EMPLOYEES WHOSE PERFORMANCE WAS EVALUATED

1.64 mln

TRAINING MAN-HOURS DELIVERED

Degree of role coverage*

Summary view of the population involved in the K-Factor



(*) Figures as at February 29, 2016.

LiHS Reboot onboard Saipem Offshore Construction Fleet

Within the framework of the 'We Want Zero' programme, the need to reboot the Saipem LiHS programme was identified by the workgroups of the business lines. An analysis of the current situation revealed that, due to the high turnover of the vessel crews and to a project-based approach to the roll-out of the programme, a large portion of the crew, even at the highest ranks, was not fully aware of and engaged in the LiHS programme, the leadership development and cultural change programme developed by Saipem and launched in 2007. The programme has been developed to foster a strong organisational safety culture by disseminating safe behaviours throughout the organisation, with a strong focus on leadership development at all management levels. For this reason the management has renewed its commitment, especially within the Offshore business unit, so that LiHS will be 're-injected'. A new strategy was developed using the lessons learned in the previous roll-out experience, Vessel Management Teams (VMT) and their first line supervisors will be involved 'first-hand' by personally building the detailed planning of the five LiHS Programme Phases and delivering the message themselves. For this reason the standard one and a half day LiHS workshop for Managers was customised by creating a full second day in which the VMTs have the chance to practice cascading the LiHS message using the various tools available. VMTs are called to deliver their personal speech and commit to concrete actions to improve the safety culture onboard.

The new LiHS Reboot strategy targets first line supervisors, as well as the key link between VMT and the workforce. First line supervisors are often young, energetic and as such, the perfect target for creating and spreading a new generation of 'conscious' Safety Leaders. Thus the Management is committed to calling all first line supervisors for a 5-day training workshop, encompassing several technical and non-technical topics, among which 2 out of 5 days are allocated to HSE. Supervisors are hence exposed to the LiHS message and called to become active participants in the overall roll-out. They are in the perfect position to lead by example in the fundamental 'Intervene!' behaviour^(*) that triggers every cultural step change. Another key point learned from past experience is the need for continuous support from the Line Management and HSE, taking advantage of every visit onboard to ask for feedback on the progress of the roll-out and on the outcomes and effect on the crew.

A real cultural change takes a long time, during which a relentless effort will be made by the Safety Leaders to positively influence the 'style' of all crew members.



The 5 LiHS programme phases and 2015 results



A multinational Company with a local presence

As an international company working in several countries and continents, Saipem is aware of the need for effective interaction with local stakeholders, and communities in particular, which is essential for ensuring the successful execution of projects, as well as for the long-term perspective of its business.



C. Ayu, Brotherly love with Indigenous People, Indonesia

Fostering dialogue to build consensus

Depending on the type of project executed, the impacts generated and the geographical location, local stakeholders can have different expectations. The ability to identify and address these expectations and potential concerns is crucial for the effective and timely execution of activities.

To that end, Saipem has set up an internal process and appropriate tools for the assessment of stakeholders and management.

The first step concerns the identification and assessment of all legitimate local stakeholders to understand their interests and expectations, or possible concerns.

The next step includes the definition of activities, actions and the means for addressing any concerns and creating a dialogue with local stakeholders.

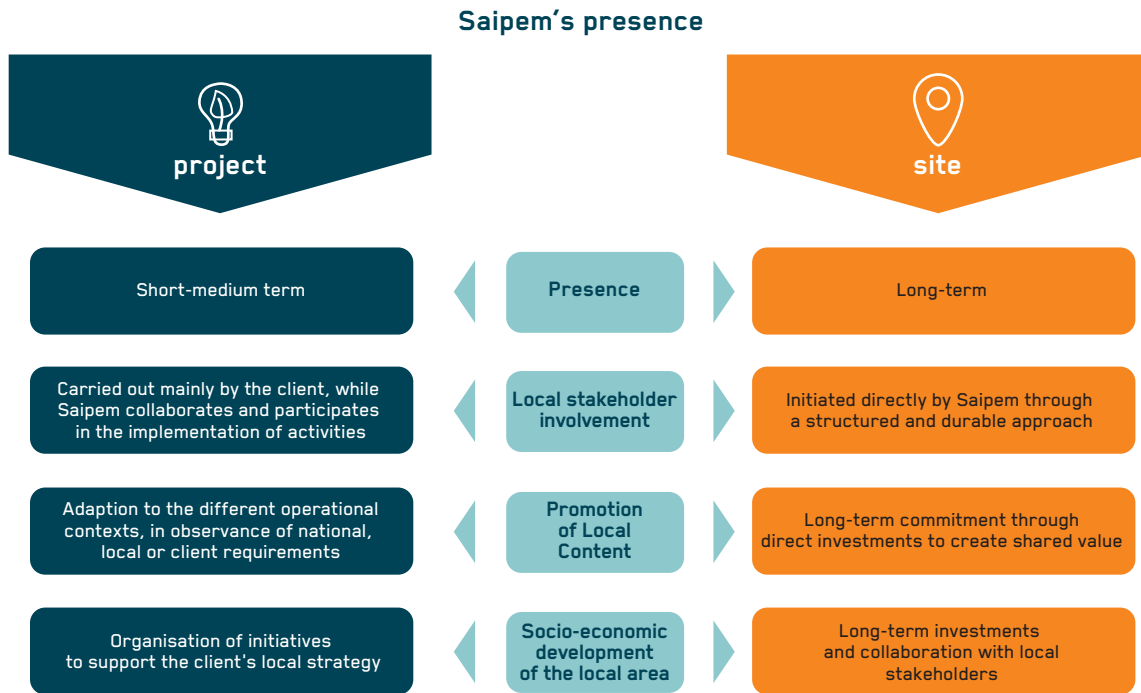
Understanding the results of the engagement actions is hence important to further refine and fine-tune the approach with the local stakeholders.

Dialogue is essential for sharing information and identifying issues and ideas, concerns and potential conflicts and instantly defining possible actions to address them. This is not always easy considering that different stakeholders can have different and sometimes divergent expectations; however an open, transparent and constructive dialogue with all legitimate stakeholders is sought as an opportunity for building a fruitful coexistence in the area of operations.

Setting up a dialogue means also giving all local stakeholders a chance to express their opinions, whether positive or negative. In this view a guideline defining the general rules and basic requirements to implement a grievance management system is under preparation. It will then be tailored for each area/ country based on their local characteristics, customs

and contexts. This guideline is part of the stakeholder management tools Saipem is implementing, based on the experiences gained in the past years while also taking guidance documents developed by well recognised international organisations into account. Dialogue and engagement with local stakeholders are the basis for the definition of a community development strategy aimed at providing sustainable benefits for the

local communities where Saipem operates. This is achieved by providing job opportunities, supporting local business and entrepreneurship, transferring know-how and capabilities, cooperating with local organisations, institutions and authorities, as well as by contributing to foster the increase in wealth of local communities with local projects and initiatives.



Saipem has always applied a comprehensive Local Content approach, aware that this represents a distinctive factor. Thanks to a consolidated local presence and a decentralised and multicultural organisation, the Company

has a long tradition in effective local engagement, providing considerable social benefits to the host country in terms of investments, employment, development of subcontractors and other factors.



Saipem's workforce

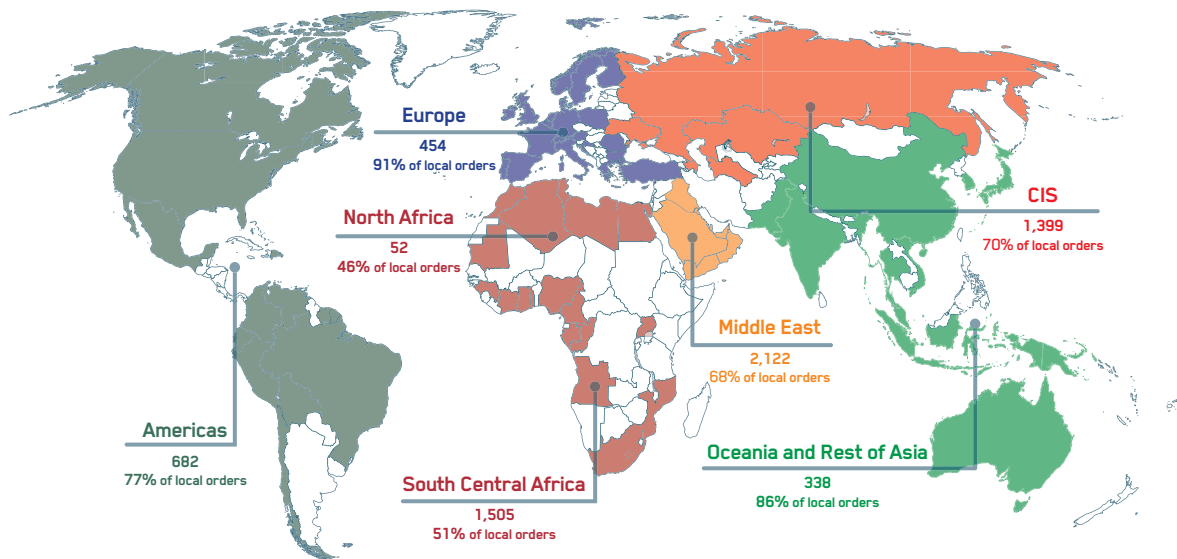
Geographical areas	Total employees	Number of women	% of local employees	% of local managers (*)
Americas	8,226	943	82	39
Europe	10,553	2,441	90	54
CIS	4,550	588	60	15
Middle East	8,779	168	83	31
North Africa	710	45	57	36
South Central Africa	7,310	479	76	49
Oceania and Rest of Asia	6,218	593	79	57

In 2015, Saipem directly employed 46,346 people, of which 38% with stable work contracts and 99% with full-time contracts. In addition to these numbers, Saipem employed 4,489 people through employment agencies. There was a total of 5,257 female employees representing 11% of the workforce. 80% of the Company's 46,346 employees were employed locally, with the highest percentage in the Americas, the Middle East and Europe. The percentage of local managers (*) (sum of local managers and local senior managers) was 44%, a 1% increase compared to 2014. This percentage was calculated by excluding data from France and Italy, since inclusion of those countries would have led to a figure of 75% of local managers. This methodology used shows, with transparency and without distortion, the constant commitment of Saipem to the promotion of Local Content, including with regard to management positions.

Saipem works with 32,931 suppliers all over the world, knowing full well of the strategic value of Local Content and sustainable development of local economic and business realities. Saipem's supply chain is very differentiated based on the type of product

purchased and its complexity. Depending on the criticality of the supply, Saipem always checks the first-tier suppliers and reserves the right to avail itself of other suppliers whenever necessary.

SAIPEM'S SUPPLY CHAIN



In 2015, Saipem ordered €8.27 billion in materials and services, of which €1.71 billion were for asset investments, staff costs and other operating costs not allocated at geographical level. Of the total amount ordered for the operating projects with an identified project operational area, 68% was supplied by local vendors. The above map shows amounts in millions of euro and the percentage of local orders by each geographic area of activity.

FIGHTING MALARIA

According to the World Health Organisation, the malaria incidence fell 37% globally between 2000 and 2015 and death rates fell 60%. However, there are still serious obstacles that prevent full access to malaria prevention, diagnostic testing and treatment. Progress has been uneven, with some countries carrying a disproportionately high share of the global malaria burden.

Fifteen countries, mainly in Sub-Saharan Africa, account for 80% of malaria cases and 78% of deaths globally.

In the Oil & Gas industry, malaria is a major cause of sickness and an important cause of death. This involves a complex interaction between biological and environmental variables, and social and behavioural practices. Saipem operates across a multitude of countries and cultures that involves

this interaction. Saipem has implemented the Malaria Control Programme (MCP) since 2003 to prevent and control the spread of malaria at its worksites operating in high-risk areas in 3 continents: South America (Peru and Ecuador), Sub-Saharan Africa (Angola, Congo and Nigeria) and South-East Asia (Indonesia). Participation is a mandatory requirement for all Saipem employees working at onshore, drilling or offshore units (due to the possible risk of malaria infection during transit), as well as for all subcontractors. The framework of the MCP is built around the principles of malaria prevention (primary, secondary and tertiary prevention), focusing on the 'ABCD' plan: A [Awareness], B [Bite prevention], C [Chemoprophylaxis], and D [Diagnosis and Treatment]. In 2015, all 48 Saipem worksites located in high risk malaria areas were included in the MCP. A total of 6,258 (100%)

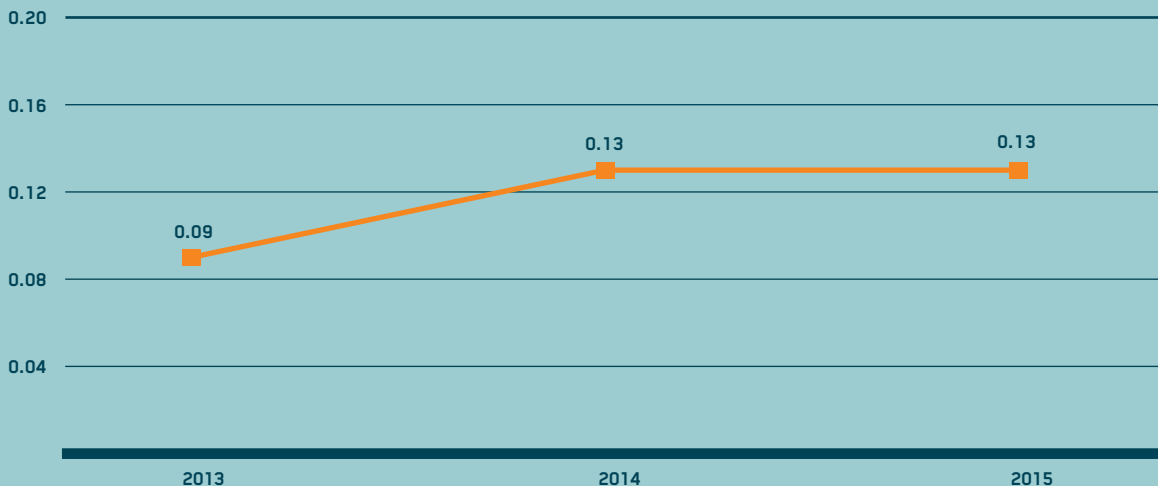
non-immune employees attended Malaria Awareness Lectures. The overall Malaria Case Rate (MCR) for 2015 was 0.13, defined as the incidence of stewardable malaria cases per 200,000 exposure-hours. There were 2 fatalities due to malaria complications, both consisting of nationals of malaria endemic countries.

'Stop malaria!' is the latest initiative of Saipem's MCP campaign that was strategically developed to spread awareness and to increase compliance in the use of protective measures.

The campaign package contains an MCP video and new posters that focus on the ABCD strategy. The video provides messages from the Saipem Regional Manager of Central Africa, as well as testimonials from employees who experienced malaria infections.

Further details on MCP initiatives in Angola and Congo are available on pages 55 and 59, respectively.

Overall Malaria Case Rate





SAIPEM'S WORLD

Saipem operates in 70 countries and is present in almost every Oil & Gas market around the world.

The Company has a decentralised organisation in order to better respond to local needs and sustainability challenges.

Wherever it works, Saipem plays an active role in the local community, contributing to promote the socio-economic development of the areas where it operates.

Saipem has always sought to engage and develop relations with all of its stakeholders.

'Saipem's world' focuses on 8 countries and 2 geographical areas which have been selected as the most representative in terms of business operations and local impacts.

This section describes the Company's presence, business context and future outlook.

It also explains how the above commitments and approaches are implemented at the local level.



SAIPEM's presence in:

Italy



Saipem (Società Azionaria Italiana Perforazioni E Montaggi) SpA is an Italian company that was founded in the 1950s. During the 1950s and 1960s, the Company acquired expertise in the onshore pipeline sector, construction of offshore and onshore rigs, and drilling. It initially operated as a division of Eni, before becoming an independent company in 1969.

The Company has been listed on the Milan Stock Exchange since 1984. The Saipem Group (of which Saipem SpA is the parent company) is one of the world leaders in the Engineering & Construction and Drilling businesses with a strong orientation towards Oil & Gas-related activities in remote areas and deepwaters. The Company identifies itself with the provision of engineering, procurement, project management and construction services with distinctive capabilities in the design and execution of large-scale onshore and offshore projects.

Saipem's activities

The main projects in Italy are as follows:

- for Rete Ferroviaria Italiana SpA (Ferrovie dello Stato Group), work is under way on the contract for the detailed engineering, project management and construction of a 39 km section of a high-speed railway line and an additional 12 km of interconnections with the existing conventional railway along the Treviglio-Brescia section across the Milan, Bergamo and Brescia provinces, as well as all associated works, such as power lines, reduction of road interference, road crossings and environmental mitigation;
- the project for the dismantling of the Costa Concordia in the port of Genoa is in progress in a joint venture with San Giorgio del Porto;



An excerpt of the interview with San Giorgio del Porto can be read on page 50.

- for Versalis, activities have commenced in relation to the Versalis-Ferrara IT EPC contract for the construction of a fourth production line to operate alongside three existing lines, in addition to increasing production capacity and upgrading the plant's outside battery limit auxiliary systems;
- in the onshore drilling sector, operations in Italy have been realised with the deployment of one rig which performed work for Total in the Tempa Rossa area. Another rig is undergoing upgrading works in the country;

4,952

TOTAL NUMBER OF EMPLOYEES IN ITALY

7,088

TOTAL ITALIAN EMPLOYEES

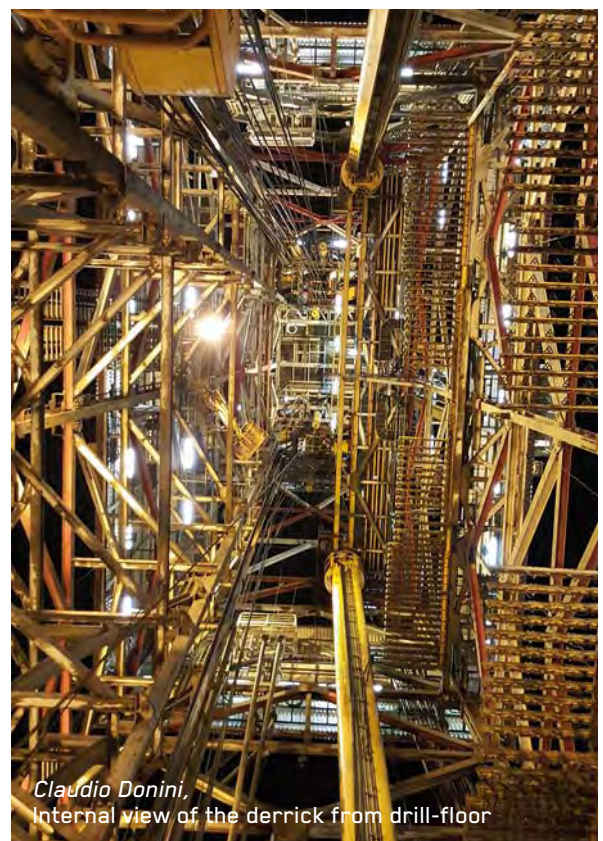
26%

PERCENTAGE OF FEMALE EMPLOYEES

200,277

TOTAL TRAINING MAN-HOURS DELIVERED TO SAIPEM'S EMPLOYEES IN ITALY

- for Eni, the FEED contract for engineering services on the SSV (Sviluppo Sostenibile Val d'Agri) project at the Val d'Agri plant has been completed.



Claudio Donini,
Internal view of the derrick from drill-floor

On-the-ground presence

The character and international competitiveness of Saipem has its roots in Italy, where the Company was founded and where it still carries out its fundamental role in the national economy. A study conducted in 2015 by Saipem with Nomisma Energia analysed and quantified Saipem's contribution to the Italian economy in the years 2012-2014.

Saipem generates value in Italy

Saipem purchases many products and services in Italy, including for projects it executes abroad. In 2014 alone, Saipem purchased goods and services from Italian vendors totalling €1.7 billion. The Company paid €323 million in wages to its Italian employees and over €200 million to the Italian state in taxes overall. In 2014, Saipem put around €2.2 billion into the Italian economy. This figure has remained constant over the last three years. According to the analysis, this €2.2 billion has in turn generated added value for the Italian economy amounting to €2.8 billion.

Saipem employed¹ over 7,000 Italians working both in Italy and abroad.

Purchases by Saipem in Italy generated a further 13,000 jobs along the supply chain. Moreover, household consumption and taxes paid by companies along the Saipem supply chain contributed another 7,000 jobs nationally.

Saipem spent about €13 million per year on training its Italian employees, with an average of 35 hours of training per participant. This investment is three times more than the average Italian company of comparable size². Investment in training over the past three years has had a positive impact both on workers and on the Italian economy. The benefit for workers, calculated in terms of expectations of higher salaries, has been quantified at €5.5 million (over the next 5 years), which should lead to a growth in consumption levels and tax contributions of about €18 million (again over the next 5 years). Furthermore, ongoing training bolsters a culture of health and safety, respect for the environment

and technological innovation. This culture is in turn transmitted to the thousands of companies that work with and for Saipem and consolidates the strength of Italy's economy in such a way that it can face the challenges of global competition more efficiently.

€1.7 billion

GOODS AND SERVICES PURCHASED
FROM ITALIAN VENDORS

€2.8 billion

ADDED VALUE GENERATED BY SAIPEM
IN THE ITALIAN ECONOMY

28,000

TOTAL JOBS ASSOCIATED WITH SAIPEM'S
ACTIVITIES

Saipem and its suppliers

Saipem is a catalyst for the growth and internationalisation of the Italian companies that work with and for it. This is because Saipem's operational excellence demands that these companies acquire competencies which in turn strengthen their competitiveness at the global level.



Some testimonies collected from a sample of Saipem's Italian suppliers can be found on pages 50-51.

3,716 Italian companies work with Saipem and of these more than **2,200** have collaborated with the Company for over 5 years.

(1) Employment data refer to 2014.

(2) ISTAT 2013 training in enterprises report (a similarly sized company spends an average of €4 million per year with 23 hours of training per single participant).

SAIPEM: A WIN-WIN RELATIONSHIP WITH ITS SUPPLIERS

Re.mac.ut Srl

A talk with Paolo Portonero



Have your company's working methods changed since you began working with Saipem? If so, how?
Our company was founded in the 1950s as one specialising in the design, construction and overhaul of machine tools for production lines in the automotive sector. The encounter with Saipem gave us the opportunity to commence production in a different industrial sector. This was a winning card for us since it meant we could specialise and continue to carry out our activities even when the automotive sector showed signs of crisis in Italy. Our company has changed significantly, specialising in the engineering phase and in the development of increasingly innovative equipment. In terms of production, the component parts are manufactured by a group of specialist suppliers, all Italian, while assembly is carried out in-house, as is the production of control systems and hydraulic and pneumatic plants.

What is the most challenging project you have developed for Saipem from the technical and technological standpoint?

Among the most challenging projects was the Castoro Sei, our first contract for Saipem. We equipped the vessel with new tensioners for the Nordstream project. For the Castorone we supplied complex equipment such as tensioners, the stinger

movement system, the rollers for the stinger and the control system for the abandon/recovery winch. Re.mac.ut supplied the J-lay tensioners and the crane control system for the Saipem 7000. Furthermore, in collaboration with Saipem we designed and realised advanced recovery and repair systems for deepwater pipelines.

San Giorgio del Porto SpA

A talk with Manolo Cavaliere and Paolo Trombetta

How would you describe your relationship with Saipem?

We have been working with Saipem for several decades now, and still today our collaboration continues with important contracts. Indeed, we are involved in a new partnership which is a source of great satisfaction for the company. This is the Ship Recycling Consortium dismantling the shipwreck Costa Concordia (picture on page 52). This project is probably one of the most challenging that we have realised, in terms of dimensions and complexity. Let us not forget the constant media attention surrounding the Costa Concordia. Previously in the period 2013-2014, we carried out maintenance and upgrading work on the Castoro Sei. This was an important project on which we worked for 7 months, and is a source of great satisfaction for both parties. Moreover, it has allowed us to face the crisis that hit the market and has contributed to reinforcing our relationship with Saipem even further.

Have your company's working methods changed on account of your collaboration with Saipem?

Over the years San Giorgio del Porto has modernised progressively in order to adapt to the new techniques and innovations in the sector. Working with Saipem has helped us to develop skills and

procedures, for example in the field of health, safety and environmental protection, which constitute an indispensable requisite for competing in the offshore sector. Currently our company is ISO 9001 and ISO 14001 certified and is completing the process for OHSAS 18001 certification. Thanks to this, alongside our traditional client portfolio, we are seeking to enter the offshore and LNG sector in an increasingly significant way. We believe we can become key players thanks to our important facilities and to our competencies. For the dismantling of the Costa Concordia we have also obtained ISO 30000:2009 certification for Ship Recycling Management, above all in the perspective of future development of the ship dismantling market.

F.lli Righini Srl

A talk with Renzo and Rodolfo Righini



How would you describe your relationship with Saipem?

Our commercial relations with Saipem have lasted almost 40 years and have allowed us to develop a relationship of mutual trust and to tackle many complex technological challenges. Saipem has always realised challenging projects that no one else could, and at the same time has pushed us into doing likewise, placing a lot of trust in our abilities for development and technological innovation. It has stimulated and encouraged us to take on increasingly demanding projects

and to believe in our abilities and potential for improvement.

Has your client portfolio also changed over the years?

Initially, we had an exclusively Italian client base, mainly in the Ravenna area. However, the experience gained on the projects realised for Saipem, and the development of our commercial strategies, has allowed us to compete on the international market and to broaden our range of clients. As of today, we work not only for Saipem but also for the main international players in the offshore Oil & Gas sector, adapting on a case by case basis to their specific requirements.

Tectubi Raccordi SpA
A talk with Renato Velli



Has collaboration with Saipem over time increased your competencies and know-how?

We are a manufacturing company that has progressively developed the capability to support clients during the engineering phase of projects (in terms of support for the definition of specific techniques for new items and materials and, in some cases, co-engineering). This, for us, is added value placed at the disposal of clients. It has proven itself to be a winning approach, above all with Saipem. Tectubi Raccordi's collaboration with Saipem has in fact facilitated the execution of extremely innovative and technologically advanced products, such as the recent realisation of a special stainless steel Y piece (a mechanical device with technology developed by

Saipem) of considerable size and manufacturing complexities.

Has your cooperation with Saipem influenced your business prospects?

From the very outset, working with Saipem became a launching pad for our company as regards local and foreign projects. And in over 60 years of collaboration, we can say that we have walked many miles together.

Goriziane Group SpA
A talk with Pierluigi Zanin



Have you diversified your business over the years?

Of course. We have never stopped investing and diversifying. Historically speaking, we were founded as a repair, maintenance, overhaul and upgrade company for machinery or equipment in the defence sector, and subsequently also in the industrial, earth movement and railway sectors. Our first experience with Saipem consisted in the repair of machines used in the realisation of oil pipelines in the Middle East, in countries such as Saudi Arabia, Iran and Iraq. Thanks to the experience and skills acquired on those projects, including working side by side with Saipem operators and technicians, we ourselves began to build several machines which at the time no one else in Europe was manufacturing. Saipem was our first client for this new line of business and this meant we could enter the vendor lists of clients the world over. Indeed, Saipem was

and today still is the benchmark for other players in the pipeline sector. Ongoing investments and our ability to diversify by adapting to the requirements and needs of the market have led us over the last ten years to enter the offshore business field as well.

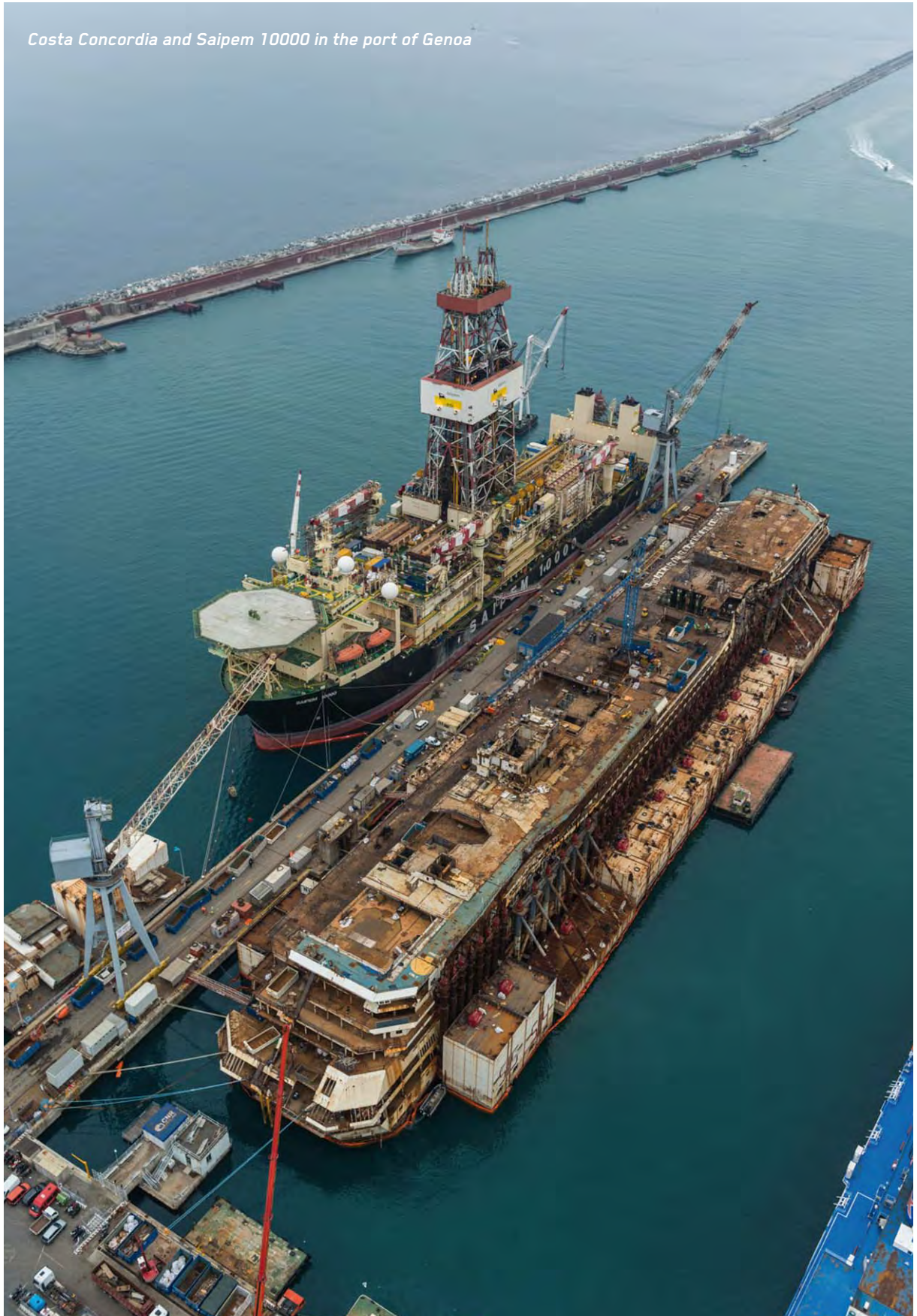
Can you tell us about a particularly innovative project that you have developed in this new business?

The Castorone, Saipem's most recent pipelaying vessel, is equipped with a firing line designed and built by us. We also manufactured the Telescopic Linkage, designed especially for Saipem, facilitating variation of the angle of the stinger, even during navigation. At the moment, the Castorone is the only vessel in the world with this technology, and we are very proud to have built it.

CS Impianti SpA
A talk with Roberto Monzini

Have your company's working methods changed since you began working with Saipem? If so, how?
Working in the engineering field, we have always evolved over time, keeping abreast of technological developments in IT systems, in terms of 3D modelling of plants, as well as calculations and electro-instrumental engineering. At any rate, in relation to standards applied and IT systems used, Saipem has always been our benchmark as regards organisation and project management. In terms of numbers, our company has more than quadrupled since its incorporation: we currently have around 100 employees working in our 4 premises in Italy. Furthermore, we have opened two joint venture companies abroad, one in Canada and one in Saudi Arabia, in order to follow projects more effectively in these two areas.

Costa Concordia and Saipem 10000 in the port of Genoa



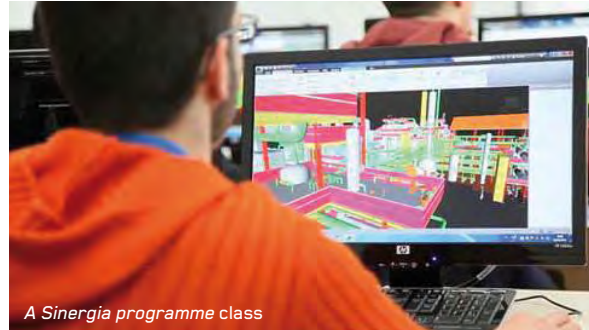
Saipem, an Oil Spill Response service provider

The Saipem Oil Spill Response Team (OSRT) has provided Oil Spill Response Services since the 1990s. In 2015, the team provided technical support for the execution of a spill drill promoted and organised by the Ministry of Environment in collaboration with the Coast Guard and Eni UPS (Upstream and technical services). The drill, called 'Pollex 2015', took place October 13 in the waters off the port of Crotona. The purpose was to test the organisational machinery implemented to combat a pollution scenario caused by the spillage of hydrocarbons at sea during refuelling operations from the storage tank of the emergency power generators on the 'Luna A' platform.

OSRT collaborated with Eni UPS in maintaining relations with local authorities and organising and managing operations. The results were good and the various maritime authorities directing and supervising the drills were unanimous in recognising their overall responsiveness and organisation. Similar emergency drills were performed in the offshore sites of Ravenna-Pesaro and Gela.

Fruitful relationship with local high schools

The 'Sinergia' programme, launched in 2012, aims to develop concrete communication between educational institutions and the workplace and to strengthen the technical capabilities of students in a way that will facilitate their job search upon leaving school. With the cooperation of two high schools ('E. Fermi' in Lecce and 'A. Volta' in Lodi), the project has in fact proved beyond all doubt that fruitful and long-term partnerships



A Sinergia programme class

between schools and businesses is really possible. Specific afternoon courses were held on several training topics of interest to Saipem and with the 'A. Volta' school in Lodi with more detailed activities being developed. More specifically, during the reporting year the project was extended to classes III and IV and Saipem modules were integrated into the daytime training syllabuses of class V in accordance with other subjects of study. The lessons included both general and highly technical topics, ranging from the oil cycle to real-life company case studies, and comprising subjects such as automation, welding, design, 3D modelling, and health and safety in both offshore and onshore contexts. Given the markedly technical and specialist nature of Saipem's activities, students majoring in mechanical and electrotechnical techniques were involved. Project internships were available for several students who thus had the opportunity to see where they stood in relation to real, concrete issues. The project is undergoing constant transformation and updating and is an example of an effective and mutual beneficial partnership between companies and schools.

ITALY LOVES SAFETY-ITALIA LOVES SICUREZZA



In 2015, the LHS Foundation reaffirmed its position as a global centre of knowledge, information and divulgation in the industry, thanks also to the organisation of the event 'Italia Loves Sicurezza', repeated in various Italian cities and specifically on April 28, World Day for Safety and Health at Work. The event involved various actors from schools, institutions, associations, businesses and universities from Milan, Turin and Piacenza. The format was the same in the three cities: in the morning a safety workshop dedicated to primary school students; in

the afternoon a seminar based on the 'Leadership in Health & Safety' methodology for university students, professionals and businesses; and, in the evening, the play, 'Giorni Rubati' (Stolen Days), open to all the residents of these three cities. Partners in the 2015 initiative included the Politecnico di Milano, AIAS Academy, INAIL, Richmond Italia, ANMIL, Granarolo, FCA and Galbusera. The event was also made possible thanks to the sponsorship of the municipalities of

2015
ITALIA  SICUREZZA

Milan, Piacenza and Turin and the regional government of Piedmont. On the wave of this success, the event will become annual, with the aim of involving an increasingly large number of people in many other Italian cities.



Further information on LHS Foundation activities can be found at:
www.fondlhs.org.

SAIPEM's presence in:

Angola



Saipem has been present in Angola since the early 1980s through several joint venture companies and local subsidiary businesses:

- **Saipem SA Angolan Branch** (for offshore and onshore E&C activities).
- **Saipem Luxembourg Angola Branches** (for Drilling and FPSO activities).
- **Petromar Lda.**
- **Kwanda Lda** (for Logistic Base, Dock, Warehouse, Workshops, Storage Areas, Accommodations in Soyo).
- **Sagio** (for FPSO Operation and Maintenance).
- **TCPI** (for E&I works).
- **Deepwater Engineering and Technology** (for Engineering and project management services).

Saipem's long-term and deep-rooted presence has played an important role in the evolution of how it operates in the country and the significant long-term investments made by the Company are proof of that as seen in the following:

- **Ambriz Yard** was redeveloped and requalified after 2002. It is used for all types of modules and steel structures utilised in projects for the development of offshore oilfields: platforms, jackets, topsides, decks, piles and subsea structures such as flexible pipes and jumpers.
- **Malongo (Cabinda) fabrication workshop** used for the construction of jackets and decks.
- **Soyo Yard** specialised in the construction of deepwater facilities.

Saipem's activities

Saipem has a strong track record in Angola in executing both offshore and onshore EPCI projects, in performing advanced ultra-deepwater offshore drilling projects and in managing fabrication and operations for all the oil majors present there.

Today Saipem undertakes activities in various areas across the country. Here a list of the main current projects:

- **East Hub Development project:** the scope of work includes the provision of 5 flexible risers and 20 km of rigid flowlines, as well as installing SURF facilities which include umbilical sections, rigid spools, well jumpers and 14 Pipeline End Terminations (PLETs) to be fabricated in Angola.
- **Kaombo FPSO project:** engineering, procurement, installation contract and commissioning of 2 converted turret-moored Floating Production, Storage and

2,307

SAIPEM'S EMPLOYEES

62%

OF WHICH ARE LOCAL

44%

OF MANAGERS ARE LOCAL

Offloading (FPSO) were recently awarded, and a seven-year operations and maintenance contract for the Kaombo Field Development project, located in offshore Block 32.

- **Mafumeira Sul EPCI 2 Offshore Pipeline:** consists of an EPCI project composed of the Fabrication of 2 Tie-In Skids (89 t) and 48 spools Cabinda Gulf Oil Co Ltd (CABGOC) EPCI 2 Offshore (149 t).
- **Girri FPSO Modifications:** the contract includes engineering, procurement, construction, installation and commissioning of modifications to the multiphase pumping systems of the topsides of the Girassol and Dalia FPSOs. Offshore activities started in 2015 mainly using Saipem 3000.
- **Kizomba Satellites Phase 2:** is an E&C contract consisting of the development of Block 15, approximately 150 km off the coast of Angola, at a water depth of approximately 1,350 m.
- **Congo River Crossing:** the scope of work includes EPCI of three subsea pipelines, 20" and 22" in diameter, with a total length of 110 km, in water depths of up to 117 m.

As far as drilling activities are concerned, Saipem has been awarded numerous offshore contracts for the Saipem 12000 and Scarabeo 9 vessels. Saipem 12000 is presently working in local waters for Total and Scarabeo 9 for Eni Angola.

Business outlook

Angola represents a very active market for Saipem. Indeed Saipem is pursuing numerous commercial opportunities, in particular in the offshore market, in the short term with proposal preparation and in many cases negotiations are well under way.

On-the-ground presence

Since the outset of its activities in the country, Saipem has contributed to the local socio-economic and sustainable development through a strong Local Content focus and commitment to know-how transfer, training and health promotion. This can be seen clearly in the programmes described below.

Local Pool of LiHS Trainers in Angola

In October 2015, Petromar achieved autonomy with regards to the delivery of events as part of the Leadership in Health & Safety (LiHS) Programme. This achievement is the final point of a structured process. The LiHS Programme has been implemented in Angola since 2009 through the deployment of several LiHS Workshops and Five Stars courses¹. In 2011, a series of Five Stars Train the Trainer courses (TTT) were delivered to allow the local company to independently deploy Five Stars courses. The most capable individuals were involved in 2013 in an LiHS TTT to become LiHS Facilitators². In the framework of the 'We Want Zero' campaign, a plan to create local pools of trainers was designed in the strategic fabrication yards, including Ambriz. In July 2015, a second LiHS TTT was delivered to selected local employees, who passed their formal assessment and became LiHS Facilitators in October. Meanwhile, the previously trained Five Stars trainers attended a refresher course. **For the first time the entire group of LiHS personnel is composed of Angolans.** This pool of trainers will support all Saipem companies, projects and vessels in the country. Angola can be considered an example of an 'LiHS Hub' replicable in other areas.

6

FIVE STARS TRAINERS

3

LIHS FACILITATORS

Fighting malaria

In 2015, Saipem continued its malaria prevention programme in line with the National Malaria Control Program (NMCP). **The main areas of interventions are: providing prevention measures at all worksites, as well as in the local communities and training local health personnel.**

As part of prevention, the Indoor Residual Spraying (IRS) campaign was carried out in Soyo in 616 households. This consisted in the application of long-lasting insecticides to the walls of houses.

A total of 159 malaria awareness sessions were held in the community by the trained technician and also by nurses before implementing IRS while distributing 2,000 Impregnated Mosquito Nets (ITNs) through the community health posts to the families.

To contribute to increasing the number of skilled local healthcare personnel, the training of laboratory personnel is an essential component for the acquisition of skills for the laboratory diagnosis of malaria and improvement in the management of malaria cases.

Saipem contributes to the standardisation and harmonisation of malaria laboratory diagnostic techniques present in the country based on international standards set by the World Health Organisation (WHO). Moreover, Saipem organised two initiatives in partnership with 'The Mentor Initiative'³ in Soyo:

- a 10-day training session for 16 Lab Technicians from the Health Unit of the Zaire Province that took place in July 2015;
- a 3-day training course involving 34 nurses according to WHO instructions in June. The course consisted of intensive theoretical and practical sessions that focused on prevention, testing and management of malaria cases.



Lab Technicians during a Malaria awareness session

(1) Phase 3 LiHS programme: a safety intervention training course dedicated to the entire workforce.
 (2) LiHS facilitators are trained to perform the LiHS workshop addressed to management.
 (3) A local NGO committed to promoting health conditions operating mainly in Africa.



Lab Technicians during a Malaria awareness session

In Ambriz the Malaria prevention programme started with the selection of attendees and with purchase of the necessary material for IRS training. At the end of the course, 10 community people were certified as IRS technicians. The initiative included the fumigation campaign involving local households. Due to the noticeable deficiencies which characterise the struggle against malaria in the local rural communities, Saipem selected and trained 20 nurses to manage malaria cases. In addition, a lack of medical equipment in the community health posts was identified; therefore, it was decided to purchase the necessary medical items which will be ordered and distributed.

16

LAB TECHNICIANS TRAINED

54

NURSES TRAINED TO MANAGE MALARIA CASES

Subcontractor Workshop

Saipem is committed to contributing to local economic growth through the active promotion of local subcontractors.

In cooperation with the local Chamber of Commerce (Centro de Apoio Empresarial-CAE), Saipem organised a workshop for subcontractors which also saw the involvement of client representatives. CAE identified a list of potential subcontractors to be invited to the event which was held on July 23, 2015.

The objectives were to:

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

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

120

SUBCONTRACTOR REPRESENTATIVES
ATTENDED THE WORKSHOP

Increasing awareness on ethical business practices



The HOPE Training session at the Ambriz Yard

The HOPE (Human OPERational Environment) training programme was implemented at the Ambriz Yard on November 26. It consisted of both plenary and group sessions to raise awareness and encourage discussion in a specific socio-cultural environment, to help develop better management understanding of key Human Rights risks and issues for the Oil & Gas industry.

This exercise is expected to be a support for the fulfilment of local stakeholder expectations and requirements and to become familiar with Saipem's existing framework, resources and behaviours in the specific operational areas (including cultural/sustainability factors).

This is a practical way to implement Saipem's statement in the Code of Ethics and in the Company's sustainability principles, besides the Security Policy where respect for Human Rights is an essential part of any contract that Saipem enters into with security service providers. The HOPE Training Programme is going to be replicated in other countries/operating sites in 2016 in accordance with local business needs.

22

PARTICIPANTS

Developing young talents

The Talentissimo programme in France is a consolidated programme launched every year by Saipem SA in Paris and addressed to French engineering schools. In 2015, the Talentissimo programme reached its 9th edition: in total over 600 students and 128 teams have participated until now. Based on real Saipem design case studies, this contest represents a very good opportunity



Selected students attending class

for students to discover the Oil & Gas industry and understand Saipem's activities.

In 2015, Talentissimo was also launched in Angola with the objectives of:

- Enhancing Saipem's recognition at universities and engineering schools.
- Developing student competencies in offshore structural design and offshore piping design thus enhancing their employability.
- Developing a new piping and structural design course in the Angolan engineering schools which their existing curricula lacked.
- Attracting the best students for potential recruitment.

The Angola Talentissimo programme was designed in a slightly different format than the one existing in France. Two preparatory classes for structural design and piping design were organised in order to align the students' skills and knowledge. These preparatory classes, which started in mid-May 2015 and lasted 10 weeks, were carried out by Saipem engineers. After a selection process, 58 of the most motivated students from two Angolan engineering schools (Agostinho Neto and Catholic universities) were selected to take part in the programme.

The students had the opportunity to use state-of-art design tools, becoming familiar with this type of technology that they are likely to find in most of the Oil & Gas companies. The students worked on a design case study under the supervision of a Saipem engineer in small teams.

An award ceremony was organised in Luanda at the end of the programme in October. During this event, the most innovative and interesting reports presented by the student teams were selected by a jury composed of Saipem management and the Clients' representatives. Representatives from the participating universities were present at the ceremony. 4 students from the 2 winning teams were selected for an interview for a 3-month internship programme that will take place in 2016.

58

STUDENTS SELECTED FOR THE PROGRAMME

Saipem launched an agricultural development initiative

Saipem officially launched an agricultural development initiative, Alegria do Ambriz, developed in collaboration with the Municipality. At the opening ceremony held at the project location in Ambriz, the client representatives, the provincial governor and the local authorities were present.

The project, in line with Saipem's strategy of building sustainable value in the communities in which it operates, is being carried out 10 km from the town of Ambriz in the northern part of Angola. The main purpose is to strengthen agricultural activities in the area in order to contribute to the income of family communities of small farmers living near the Quinje lagoon.

The project focuses on increasing agricultural productivity by building up farmers' skills and knowledge, reintroducing agricultural technologies and supporting and strengthening agricultural extension services. Saipem has already repaired roads and prepared the soil for cultivation, as well as built storage and training facilities, and is now installing irrigation systems which will provide each land parcel with water access.

25

FAMILY COMMUNITIES SELECTED



A sign marks Alegria do Ambriz's land

SAIPEM's presence in:

Congo



Saipem operates in the Congo through two companies:

- **Boscongo SA** (since 1981) was originally created to improve Congolese employment through Oil & Gas development. Nowadays, wholly owned by Saipem, it focuses primarily on the fabrication of large modules and steel structures.
- **Saipem SpA Congo Drilling Branch** (since the 1970s) manages both onshore and offshore drilling operations.

Saipem can also count on the **Boscongo Fabrication Yard**, recently redeveloped to achieve the fabricated tonnage of 12,000 tonnes/y, as well as the **Boscongo Marine Base**, strategically very important for providing the technical back-up of Saipem's fleet for South Atlantic offshore operations.

Saipem's activities

Onshore & offshore

- **Litchendjili Onshore and Offshore Development project** is a series of EPC contracts on which Saipem has been working since November 2013 with the following Work Packages (WP):
 - WP 5: an EPC contract for the design and construction of a Gas Treatment Plant, located 15 km south of Pointe-Noire, under construction and commissioning.
 - WP 4: an EPC contract for the offshore installation of a WH platform, jacket and deck transportation, sea line laying from platform to shore and a jetty construction to support and accommodate the sea line in the surf zone (completed).
 - WP 10: an EPC contract dedicated to WH platform jacket (substructure) fabrication (completed).
- **MOHO North Offshore deepwater development project**: Boscongo is the subcontractor for the FPU (Floating Production Unit), TLP (Tension-leg platform) and STAD anchoring pile fabrication (completed) and for the Suction Pile System (SPS) fabrication (2300 T).

426

SAIPEM'S EMPLOYEES

468

PEOPLE HIRED THROUGH EMPLOYMENT AGENCIES

75%

OF PEOPLE WORKING FOR SAIPEM ARE LOCAL

- **Drilling offshore TAD (Tender Assisted Drilling)**: in operation on Eni's offshore Litchendjili blocks.

Onshore rigs 93 and 95 have been demobilised.

Maritime works

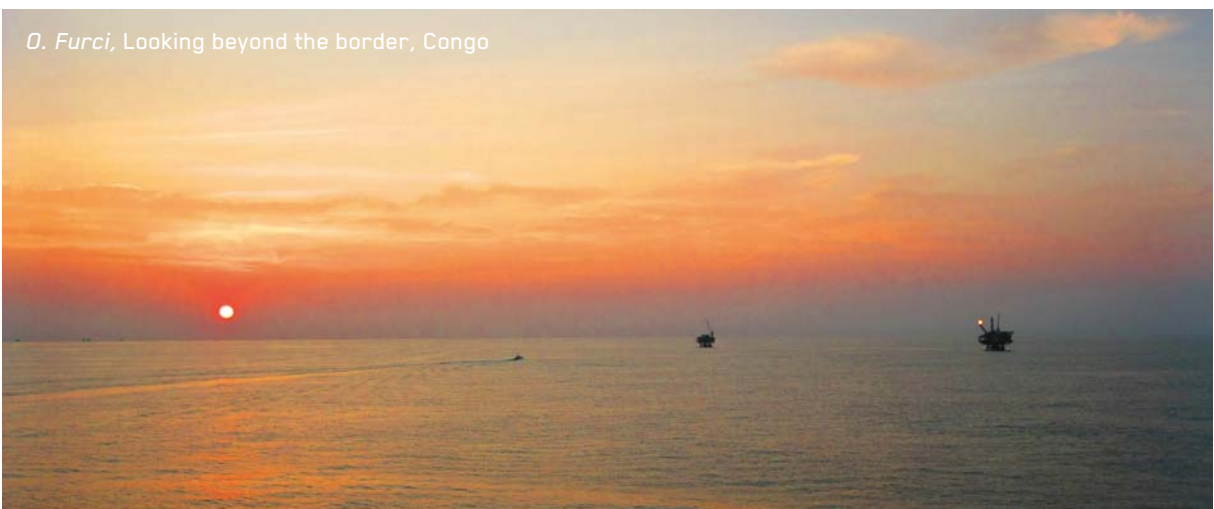
- **PAPN (Port Autonome de Pointe-Noire)**: a contract dedicated to the improvement and re-construction of the existing 'D' Quay has been awarded to Saipem/ Boscongo.

Saipem is also developing 3 main maintenance contracts for Eni (offshore platform).

Business outlook

The Congo is focusing its efforts on launching a strong Local Content policy for the Oil & Gas industry, similar to the ones developed in other countries in West Africa. In July 2016, there will be a new presidential election that might affect the business scenario in the country. Saipem is well equipped to compete in this country, in particular in the offshore and deepwater fields.

O. Furci, Looking beyond the border, Congo



On-the-ground presence

Saipem companies operating in the Congo have a long-term and deep-rooted presence in the country. Sustainability is an important way of conducting business effectively, and of ensuring dialogue and cooperation with all stakeholders in order to maximise the reciprocal positive effects of the relationship between the Company and the local entities impacted by its activities.

Fighting Malaria in the Congo



Malaria is the second cause of death in the Congo (source WHO). As in previous years, Saipem launched a variety of initiatives to raise awareness of the disease and the need to tackle it. Community members, employees and subcontractors were involved. In the framework of the National Health Development Plan (PNDS), Boscongo decided to support a training programme for the fight against malaria in 2015. The initiative was targeted at 3 health workers from the Kouilou rural areas and was carried out in partnership with the Biomedical laboratory and the Kouilou Health Department Direction. The latter identified the trainees who will transfer the acquired knowledge to their colleagues. They were trained in the laboratory in malaria diagnostic techniques using a microscope provided by Boscongo. The duration of training was approximately 50 days. The goal of the initiative was to increase the health workers' skills and capabilities, and consequently increase the quality of healthcare in rural areas.

3

**HEALTH WORKERS WERE TRAINED
IN MALARIA DIAGNOSTIC TECHNIQUES**

In the framework of the Litchendjili project's sustainability programme, an in-house workshop for employees was organised in Saipem's offices. The initiative covered both

theoretical and practical aspects. Participants received information about the disease, preventive measures, transmission, symptoms, diagnosis and treatment. Subsequently, they learned how Saipem addresses positive cases, as well as about available treatments and the use of diagnostic kits, including how Rapid Diagnostic Tests (RDT) work. At the end of the workshop they received tips on useful solutions to be applied at home (such as homemade mosquito traps and protective lotions) and repellent sprays, maps and leaflets on malaria.

82

PARTICIPANTS IN THE WORKSHOP

A similar initiative was organised for Saipem's subcontractors. Also on this occasion, participants were informed about malaria, transmission, changes within the human body, treatments, symptoms and prognosis. Subcontractors were shown how to use RDTs and make a mosquito trap at home. At the end of the event they were also actively involved in a quiz focused on what they had learnt. Repellent sprays were distributed and information brochures and maps were given to each participant.

600

SUBCONTRACTORS PARTICIPATED

Boscongo's internship programme

Among the initiatives for local communities promoted by the Litchendjili project, Boscongo organised an internship programme to overcome the lack of apprenticeships in the local educational system.

To analyse the feasibility of initiating the programme, some technical public schools were screened during the planning phase, and the 'Thomas Sankara' school in Pointe-Noire was selected. In January 2015, 9 trainees started the one-month internship in Mechanical, Electrical and Civil Engineering.

All of them concluded their internship programme with a satisfactory report from the Boscongo manager in charge of supervision in their field. The students appreciated the experience and in just one month acquired a degree of knowledge that they could have gained only by working in a company. The school staff

have welcomed the programme and have asked for it to be extended officially each year to enable local education enhancement.

9

STUDENTS TRAINED

Opening of a documentation and information centre



Local students at the Documentation and Information Centre

Boscongo supported the creation of a Documentation and Information Centre (Centre de Documentation et d'Information - CDI) in the professional centre 'Madre Morano' located in Pointe-Noire. The CDI was opened in April 2014. It allows and helps students and community members in general to have free access to the Internet. CDI visitors are also supported in the use of the computer and in carrying out job searches. In 2015, local students enrolled in several awareness courses including an introduction to the Internet and, in partnership with the ONG Renatura, environmental protection. Additional activities to increase employability are planned by the centre for 2016.

Promoting the wellbeing of local communities

The Environmental and Social Impact Assessment carried out identified many possible alternatives for community initiatives. To better select which initiatives to implement, field surveys, consultations with local communities and a local context analysis were conducted.

The lack of a water network clearly emerged as one of the main problems of the targeted communities of Côte-Matève, in the area where the Litchendjili project is being executed. Indeed, to access water the local communities have to go to a nearby area equipped with



Water well handover ceremony

potable water wells.

After consultation with the administration and the interested parties, Boscongo decided to build two water wells in Côte-Matève, in areas with a high population concentration and accessibility. One water well was built inside the Côte-Matève primary school yard while the second was built close to the area called 'Onze Mort'. In respect of local traditions and beliefs, on March 3, 2015, local communities performed a ritual ceremony for the launching of the works. Construction of the well was completed in May 2015 and in June a handover ceremony for the potable water wells and table-benches was held at the Côte-Matève primary school. The ceremony was chaired by the Administrator Mayor of Borough No. 6 of Pointe-Noire and saw the involvement and active participation of local stakeholders. Boscongo's commitment to developing the social wellbeing of the communities impacted by its activities was welcomed both by the targeted and surrounding communities.



C. A. Guiche, Pipe initiation operation, Nigeria

SAIPEM's presence in:

Nigeria



Saipem's presence in Nigeria dates back to 1965 through Saipem Nigeria Ltd (SNL), a subsidiary operating as an onshore and offshore drilling Contractor and, since 1989, through **Saipem Contracting (Nigeria) Ltd (SCNL)** operating as an EPC Contractor. The head office is based in Lagos with two logistics bases in Onne and Warri and a yard at Port Harcourt where all the main fabrication activities are performed.

Saipem's activities

Saipem has a significant track record in the country both in the onshore and offshore business.

- **Escravos Gas to Liquids Complex for Chevron Nigeria Ltd** represents Saipem's biggest ever modularised plant (pipe rack modules of over 1,000 tonnes each, process modules of over 2,000 tonnes each) and also the first application of the Gas-to-Liquids technology on a world-class scale.
- **Southern Swamp (Associated Gas Solutions - SSAGS) project** is a lump sum turnkey contract for the construction of compression facilities at the four sites of Ogbotobo, Beneside, Opukushi and Tunu, and of new gas Central Production facilities in Tunu, which will treat the routed associated gas.
- **Dangote Fertilizer project** consists in the implementation of 2x2,200 tonnes/d Ammonia Plants based on HTAS (Haldor Topsoe) technology, 2x3,850 tonnes/d Melt Urea Plants based on Snamprogetti™ technology, 2x3,850 tonnes/d Urea Granulation Plants based on Uhde Fertilizer technology including 22 km of a raw water Pipeline and 5 km of a gas Pipeline plus all the associated utilities.
- **Egina project** is considered a milestone in the offshore deepwater field (1,700 m of water depth, 52 km of oil production/water injection flowlines, 20 km of gas export pipelines and 80 km of umbilicals off to the Nigerian coast, South of Port Harcourt). The majority of the activities are performed in Nigeria, involving local vendors and confirming Saipem's strong commitment to Local Content in the country in line with the Nigerian Oil and Gas Industry Content Development Act of 2010.
- **Bonga North West project** is an important reference for Saipem for the production of pipe-in-pipe flowlines, water injection flowlines, as well as related production facilities. The project was completed in 2013.
- **Okwori 22-26** is the main reference for drilling activities performed by Saipem with Scarabeo 3. Water depth 130 m.

4,380

SAIPEM'S EMPLOYEES

88%

OF WHICH ARE LOCAL

60%

OF MANAGERS ARE LOCAL

81%

OF GOODS AND SERVICES ORDERED LOCALLY

72,618

TOTAL TRAINING MAN-HOURS DELIVERED TO SAIPEM'S EMPLOYEES

In 2014, the Company was awarded two FEED (Front End Engineering Design) contracts, respectively for the Quantum project (production of methanol and associated utilities and off-sites in Ibeno city in the state of Akwa Ibom), and for the Brass Fertilizer project (construction of a 5,000 tonnes/d Methanol plant, a 2,200 tonnes/d Ammonia plant to produce 3,850 tonnes/d Urea, associated utilities and power generation). Both FEED contracts were completed in mid-2015.

Business outlook

Nigeria is considered an important market for Saipem. Saipem's strategy in the country has always been based on a willingness to stay with a strong commitment to create added value to Nigeria's economy and society. The Company is working on the promotion and development of Local Content with long-term investments, partnerships with local companies and maximisation of value in terms of local employment and procurement of material and services for projects executed in the country.

On-the-ground presence

Saipem mainly operates in the Niger Delta area, where the management of relations with project host communities is a fundamental aspect: Saipem has developed strategies, procedures, action plans and initiatives to manage relations with communities within its operational area with a view to achieving a conducive business operational environment.

The MoU definition process

Local expectations and political activities make the identification and engagement of key stakeholders fundamental from the very beginning of the project. Conversely, an attempt to commence work without the appropriate pre-entry community relations activities could result in a false start.

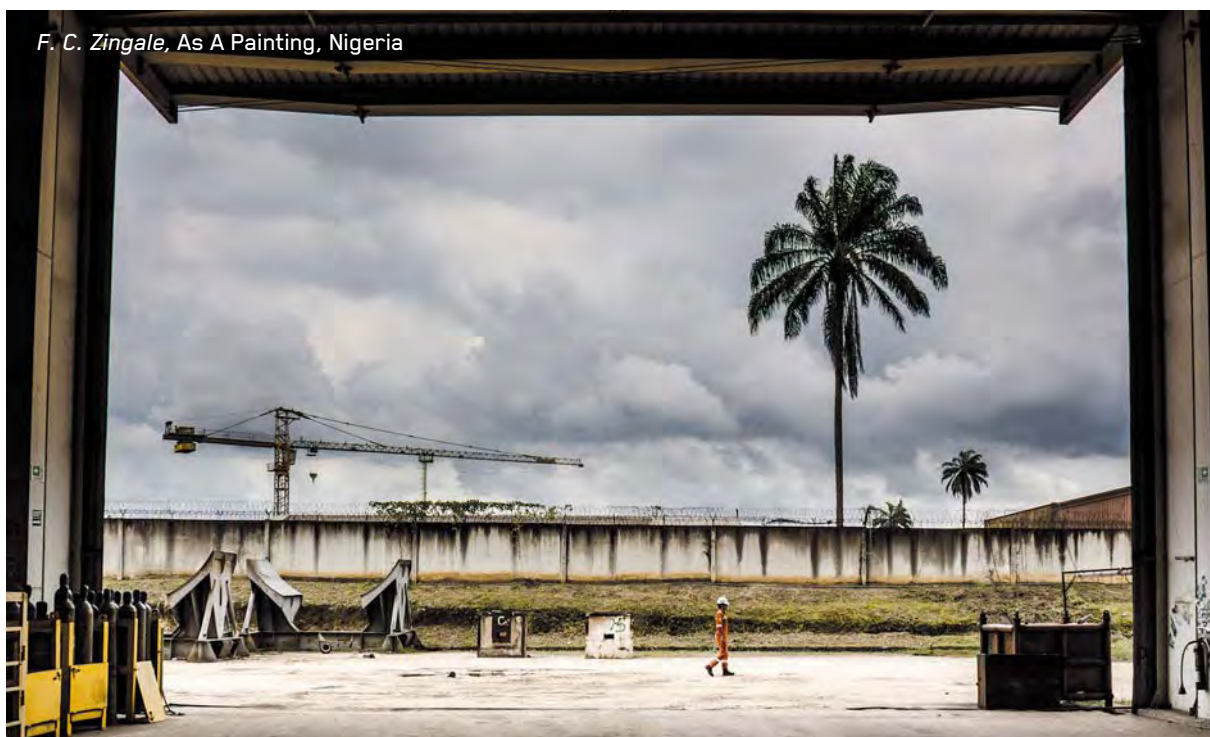
Among the community engagement approaches developed by Saipem, a critical one at the pre-entry stage is a Memorandum of Understanding (MoU) between Saipem and the host community.

Amongst other things, the MoU is essential for:

- streamlining the joint and several interests, as well as the expectations of members of the host community;
- defining the mutual obligations of Saipem and the community; and

- defining the procedures for managing Saipem's relationship with the community within the specific context.

In this framework, the community is usually encouraged to nominate representatives who can articulate its interests and expectations during scheduled meetings for negotiation of the MoU. Correspondingly, based on the available proposals, Saipem Management grants the requisite mandate to the Community Relations Department to represent it during MoU negotiations. In some cases, the Council of the Local Government Area or the Government of the State hosting the project is represented during the negotiations both as stakeholder and third-party moderator of the proceedings. During the negotiations, Saipem's representatives summarise the scope of the project and the Company's sustainability approach for the community representatives in order to place the prospective discussions within context. Negotiations are centred on dialogue and consultations, aiming to create a mutually beneficial relationship between the parties, to identify and define rights and obligations, to outline procedures for community relations actions and to establish or recognise liaison structures that will constitute the hub of community relations activities during the project. Topics of discussion can include employment and subcontracting opportunities for and optimisation of skilled local people, Human Capital Development, Community Development projects and grievance handling mechanisms.



F. C. Zingale, As A Painting, Nigeria

At the end of negotiations draft copies are made and reviewed by the representatives of the stakeholders involved who must then confer with their principals for approval before putting the final signature to the MoU.

Community Youth Training

As part of its commitment to host communities, in 2015 SCNL continued to promote skill acquisition through a series of vocational skill training programmes for youths in communities located in the vicinity of operations.

The Rumuolumeni Community benefited with 40 candidates trained in two categories via vocational and graduate internships. The vocational internship was for 18 welders and 16 fitters, while the graduate one involved 2 HSE officers, 3 Quality Assurance/Quality Control officers and 1 ICT technician. This aimed not only to broaden their skills but also to increase their employability, capabilities and competences.

In Igbo-Etche, the host community of the Northern Option Pipeline (NOPL) project, Saipem awarded certificates to a total of 60 youths trained in vocational skills. Some of the training focused on pipe welding/fitting, scaffolding, NDT (Non-Destructive Testing) and rigging.

100

YOUTHS INVOLVED IN THE COMMUNITY YOUTH TRAINING



Pipe fitting trainees

Industrial Training for undergraduates

Further on-the-job training by SCNL can be found on the Students Industrial Work Experience Scheme (SIWES). This is a training programme initiated by the Federal Government of Nigeria designed to prepare students from Tertiary Institutions for real working environments. These students are placed in various departments based on their course of study. This on-the-job training enables

them to gain relevant experience and complement their academic course. The duration varies from 3 to 12 months depending on the course and level of study.

43

UNDERGRADUATE STUDENTS WERE ADMITTED

37,574

TRAINING MAN-HOURS RECORDED

Human Capital Development (HCD) Programme

As part of the requirements of the 2010 Nigerian Oil and Gas Industry Content Development Act and the Nigerian Content Development and Monitoring Board (NCDMB), Saipem promotes local skills development by engaging University graduates in project activities.

The Egina project has been assigned a total of 20 trainees throughout its duration. These are divided into a first session rounded off in June 2015 and consisting of 9 people, and a second group of 11 that began in September 2015 and will end in 2016. They have been training in Quality Control (QC), Fabrication Support (FS) and Installation Engineering (IE).

In addition, in 2015, SCNL awarded certificates to 36 trainees on the SSAGS project and 8 in Otumara. All graduates from the SSAGS project were employed as Saipem staff on the project.

64

TOTAL NUMBER OF TRAINEES

Post Graduate Training Programme

The initiative, started in 2014 to provide training for specialised skills in Offshore Engineering through internship programme and workshops, continued in 2015 for 5 new students from the Offshore Technical Institute of the University of Port Harcourt.

They were assigned to the Technical Service Department (TSD) and Technical Office Offshore Fabrication at the SCNL Port Harcourt Construction (PHC) base for 3 months of intensive training. During the programme, the students underwent training such as HSE Induction, mastering the MathCAD Software, Process Simulation, Process Plant Safeguarding, Process Calculation, Process Utility Systems, AutoCAD, Preparation, Application and Relevance of Typical Drawings to Pipeline Construction, Pipe Laying Analysis, Hydrodynamic Forces acting on Offshore Pipelines, Technical Procedure and

Specifications, Structural Members Grade and Category, and Preparing and Issuing Shop drawing. On completion of the programme, trainees will benefit from their practical experience in the industry and will be equipped with the necessary technical skills to enable them to add value to the Offshore Oil & Gas industry.

5

STUDENTS PARTICIPATED IN THE POST GRADUATE TRAINING PROGRAMME

Commitment towards continuous improvement in subcontractor HSE standards

As consolidated practice, SCNL convenes subcontractor representatives for a safety forum to raise awareness on Quality, Health, Safety and Environment issues. The 2015 forum was held on July 6 at the SCNL Port Harcourt Base Training Centre. It was introduced by the HSE Country Manager and consisted of two parts. The first focused on the safety performance and ethical behaviour of Saipem personnel and subcontractors, corporate social responsibility and environmental issues (such as waste monetisation, energy saving and water saving). The forum also included a presentation held by a subcontractor representative who talked about how HSE training and competences can improve the performance of HSE personnel. The second part saw the active participation of attendees, divided into 6 groups. Each group was given the challenge 'How do you achieve zero accidents in



the workplace?'. It had to provide a solution which a selected team member then shared with all the other participants. The active participation of attendees, in both the first and second parts of the forum, demonstrated the interest of subcontractors to these issues, as well as the effectiveness of this annual event.

44

SUBCONTRACTOR REPRESENTATIVES ATTENDED THE HSE FORUM

Corporate Social Responsibility Award

On the occasion of the 2015 IPLOCA (International Pipe Line & Offshore Contractors Association) Corporate Social Responsibility Award, Saipem was named runner-up in recognition of its commitment to social responsibility. The mention referred to the Women Empowerment Initiative, implemented by Saipem in collaboration with the NGO Kinabuti Fashion Initiative (KFI) in 2013-2014. The initiative,

targeted at 15 women, provided knowledge and understanding of how to set up a private business in Nigeria, boosting skills in fashion design and sewing, and helping local women to start up a tailoring business. The grounds of the recognition were 'the Promotion of Entrepreneurship Opportunities, a long-term and self-funded programme'.



SAIPEM's presence in:

Azerbaijan



After a brief spell in 1996, Saipem has been continuously present in Azerbaijan since 2002 as an installation and fabrication contractor for the Azeri Oil & Gas industry. Today, Saipem operates in Azerbaijan mainly through **Saipem Contracting Netherlands BV Azerbaijan Branch**.

Saipem's activities

Saipem's recent activities in the country can be summarised as follows:

- **Azeri-Chirag-Gunashili (ACG) oil field development project:** Saipem worked on a project known as 'the contract of the century', from 2002 until 2008. The field produced close to 1 million barrels of oil a day. Furthermore, Saipem was contracted to provide inspection, maintenance and repair of the related production installations.
- **Shah Deniz 2 (SD2) gas field project & South Caucasus Pipeline Expansion (SCPX) project:** in 2014, Saipem was awarded multibillion contracts by BP for the installation of all the offshore structures of the new Shah Deniz 2 gas field project and for the construction and commissioning of the SCPX project in Azerbaijan and Georgia. Shah Deniz Stage 2 project activities are carried out in the Shah Deniz field (Caspian Sea), 90 km offshore Azerbaijan in water depths between 75 to 550 metres. The scope of work of the project includes the transportation and installation of jackets, topsides and subsea production systems and structures, the laying of over 360 km pipelines, diving support services and the upgrade of the Pipelay Barge Israfil Huseynov (PLBH), Dive Support Vessel Academic Tofiq Ismayilov (DSV ATI) and Derrick Barge Azerbaijan (DBA) installation vessels. The SCPX project, whose scope of work consists of laying 487 km of pipeline (of which 63 km are located in Georgia), is being implemented by the Saipem-Azfen Joint Venture (SAJV), formed by Saipem and the local Oil & Gas contractor, Azfen. These contracts are considered very strategic for BP and for the Republic of Azerbaijan, as the projects will deliver gas to Europe via the TAP pipeline. The execution of these contracts will last at least until 2018. However, the agreements

1,094

SAIPEM'S EMPLOYEES

51%

OF WHICH ARE LOCAL

82%

OF GOODS AND SERVICES ORDERED LOCALLY

47,571

TOTAL TRAINING MAN-HOURS DELIVERED TO SAIPEM'S EMPLOYEES

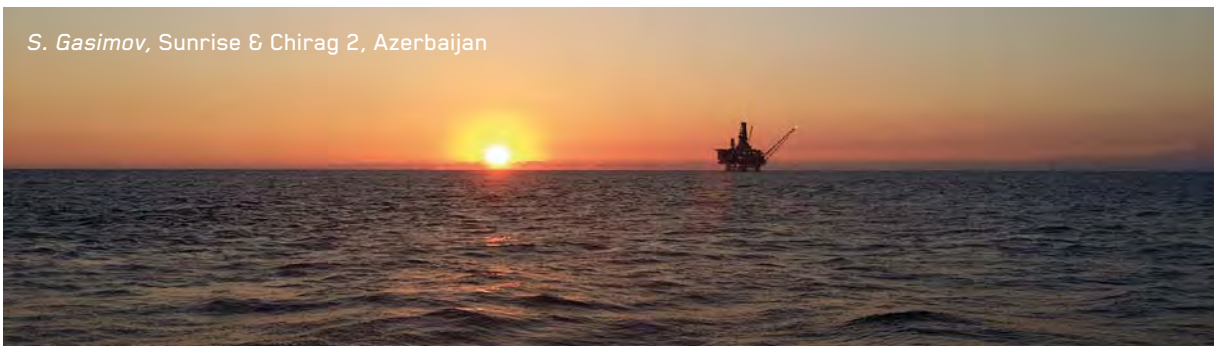
contain options that could extend Saipem's activities to 2022 or later.

A relevant key factor for the success of the project award is the fact that, in line with its sustainability policy, Saipem has formed partnerships with local companies, the most important one being with BOS Shelf, a local fabrication company originally founded by Saipem in a JV with Socar, the National Oil & Gas company. The ownership of this company has now been transferred to Socar; the company will provide a large part of the fabrication work for the SD2 project as a partner of Saipem in a Consortium.

Business outlook

Particular focus will be placed on the Downstream & Power Generation field. Azerbaijan is looking to diversify its natural resource-dependent economy. In the meanwhile, the country is moving forward with ambitious downstream projects, most notably in petrochemicals. This is largely supported by capital generated during the expansion of national oil production in the 2000s. Azerbaijan represents a good area of opportunity in the near future for Saipem.

S. Gasimov, Sunrise & Chirag 2, Azerbaijan



On-the-ground presence

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

Young Graduates Internship Programme



Young graduates during a training class

For the 6th year in a row Saipem successfully implemented the Young Graduates Internship Programme. The initiative was established to provide Saipem a mechanism that would allow young talents to benefit from on-the-job experience during internships prior to their formal entry in the labour market. The initiative was implemented in cooperation with Junior Achievement Azerbaijan (JAA), a local organisation with extensive experience in business education. Since 2010, Saipem and JAA selected and trained 120 students in their final year of study. During the implementation of the initiative Saipem established good working relations with the network of 8 local universities, both state and private. The training consists of academically-enriching and experiential learning sessions on work-readiness education and career perspectives. Based on their performance during training, Saipem business needs and interviews, students advance to the next stage of the programme to take advantage of the industry induction and internship opportunities at Saipem offices in the country. Following the completion and results of the six-month

internship programme, the Company invites interns to continue and develop their careers at Saipem.

Observing the lack of local engineers in the market and, therefore, recognising the importance of developing local specialists through educational and hands-on initiatives, starting in the 2014-2015 academic year, Saipem implemented an Engineering Module with the aim of developing local young resources with a specialization in engineering. The principal target of the initiative is to increase the number of participating universities in order to engage more students in the activities that are to provide them with the necessary skills and capabilities, based on the corporate and industry-specific requirements and potential expansion in the Caspian Region and beyond. The programme is being implemented at Qafqaz University and Azerbaijan State Oil Academy in collaboration with the universities' career planning centres.

As a result, 4 interns successfully passed the selection and evaluation process and were recruited as Engineer Trainees. The company designed a specific career development path for the selected young engineering resources.

Saipem decided to continue the programme in the 2015-2016 academic year and expanded the Engineering Module implementation by actively involving BOS Shelf.

120

TOTAL STUDENTS TRAINED

45

TOTAL STUDENTS SELECTED FOR THE INTERNSHIP

35

TOTAL STUDENTS HIRED

Improving skills of local medical personnel

Saipem implemented a professional training course for 9 local doctors working for Saipem offshore projects. The Company succeeded in reaching the agreement to conduct specific training with the Republican Narcological Centre of Azerbaijan's Ministry of Health, the state organisation that is the only competent authority with such potential, but at the same time that

does not provide training services for external entities. The aim of training was to provide them with the necessary competencies for drug and alcohol testing onboard. In general, the process of training and intercommunication between Saipem medical personnel and the Narcological Centre was significant for the exchange of experience and information, and professional development. The content of the training programme provided by the Centre was unique, as it incorporated the expertise of medical staff directly involved in the field of drug treatment. This experience showed that the necessary resources can be found within the country. Participants obtained official certification following the training. Additionally, in order to improve the Centre's ICT infrastructure and prepare them for long-term maintenance, Saipem supported the Centre's modernisation with IT equipment. The initiative was successfully completed in July 2015.

9

LOCAL DOCTORS TRAINED



Medical training course



Promoting Local Content in operating projects

The SCPX project has different challenges: the number of local communities potentially affected by project operations (147 Project Affected Communities (PACs), of which 102 PACs in Azerbaijan and 45 in Georgia) and the challenging local content requirements also involving subcontractors' personnel.

With the aim of bringing awareness to local communities located within the Project Zone of Influence, SAJV organised periodic public meetings to inform community members in advance about project activities to be held in their particular areas and how these operations could affect and impact them. 21 community safety meetings and 18 school safety sessions were held.

In the framework of the project local employment strategy, SAJV carried out awareness sessions for local

communities to inform them of project vacancies, how to apply for open jobs and the selection process. These activities will be continuously conducted as per project progress and construction schedule.

As part of its support to the development of Local Content and enhancement of the subcontractors' qualification process, Saipem set up an audit plan to verify the subcontractors' compliance with international and corporate standards and requirements.

The audits cover recruitment processes, Local Content development requirements, personnel training and development, community and employee grievances and labour rights in general (salary, working hours, overtime). In 2015, 5 local companies were audited by Saipem internal personnel and non-conformities and improvement areas were identified. The outcomes of the audits were shared with the subcontractors and they were requested to perform corrective actions.

Thanks to its extensive experience in recruitment, training, development of local personnel and local vendors, the SAJV successfully achieved and exceeded the defined targets for the SCPX project.

SAJV together with the Client company (BP), are now planning initiatives to promote the socio-economic development initiatives for local communities surrounding the pipeline route.

Protecting biodiversity

The SCPX pipeline route is located in the Kur-Araz Valley and Floodplain Ecoregion, not crossing any ecologically protected areas but passing through impact-sensitive ones.

Since several ecological sensitivities were identified, the SCPX project includes many stringent environmental requirements related to ecosystems, habitats and species protection before and during construction:

- disturbance minimisation;
- working width restriction;
- flora and fauna translocation;
- avoiding seasonal sensitivities;
- traffic restrictions; and
- aquatic environment protection.

All these aspects are managed and described in an Ecological Management Plan. The client appointed an Ecological Management Contractor (EMC) that is coordinated by Saipem and that carries out 'Preconstruction Ecological Surveys' for all project areas. The Preconstruction Ecological Surveys report is used as an environmental document to compile all site specific ecological baseline conditions and proposed mitigation actions. EMC performed the pre-construction survey undertaken in the 0-69 km section of the SCPX route in order to identify the presence of the Iris Acutiloba species during and after the flowering season, between April and May.

Pre-construction survey of *Iris Acutiloba*Digging out the plant and bulb with native soil during transplantation of *Iris Acutiloba*

Iris Acutiloba is an endemic and rare Caucasian species which is included in the revised Red Data Book of Azerbaijan (2nd Ed., 2013). Its National IUCN Status was recorded as vulnerable.

Flowering *Iris Acutiloba* were found at 47 locations during the first part of the survey. An additional larger area with flowering plants was found immediately outside the route. A dedicated site meeting was held by the SAJV Environmental Team and other staff to provide information on how to ensure effective protection of the area.

The second part of the survey covered the remaining part of the potential habitat along the SCPX route up to km 69. Both flowering and non-flowering plants were found at 11 locations of this section. 7 flowering plants were also found at 2 sites outside the route.

Overall, more than 360 individual *Iris Acutiloba* plants were found inside the 0-69 km section and were immediately transplanted in receptor sites carefully selected to provide a suitable micro-habitat and exposure. Rounds of monitoring were carried out to observe the condition of the plants and confirm the success of the transplantation.

more than **360**

IRIS ACUTILOBA PLANTS TRANSPLANTED

The *Iris Acutiloba*

Spill prevention and preparedness in sensitive areas

The Shah Deniz 2 project takes into account a wide range of international and regional environmental conventions and commits to complying with national environmental legal requirements and industry best standards and practices.

The Caspian Sea is an area of high environmental and socio-economic sensitivity due to its geographic position and singularity (it is the world's largest salt-water lake). Ecologically, it is an important spawning, feeding and migration area for a number of fish species, such as sturgeons; it is the principal flyway for waterfowl and shorebirds migrating from Africa and the Middle East to northern Russia and Siberia, as well as the home for the endemic and endangered Caspian seal. From a socio-economic aspect it possesses a great commercial fishing value and is one of the world's major oil-producing regions.

In order to preserve the Caspian Sea and ensure long-term and sustainable operations, the project has recognised spill prevention as one of the main environmental objectives and has developed pollution hazard maps for all worksites (Pipelay Barge Israfil Huseynov, Derrick Barge Azerbaijan, Dive Support Vessel, as well as landfall site). The pollution hazard maps contain information about the sources of potential pollution, the location of spill response equipment, as well as the quantity of spill response materials. These maps are posted in various locations around the project worksites and communicated by each supervisor to the workforce during regular Tool Box Talks.

The maps are continuously updated in line with changes in areas for the storage of potential sources of pollution. Identification and mapping of spill sources in the facilities (e.g. vessels and landfall site) is only the first step in the overall spill risk assessment process. However, it is a crucial element in ensuring reliable and high-quality input to spill response planning and control.

SAIPEM's presence in:

Kazakhstan



Saipem has been present in the country since 1995. It is represented by different companies, namely:

- **Ersai Caspian Contractor Llc**, founded in 2003 in Aktau, operating the Kuryk shore yard, located 70 km south of Aktau City in an area of about 220 hectares, a fully-equipped construction base with fabrication and personnel accommodation facilities. Ersai is now the leading company in the Mangystau region and can provide a very large range of services, such as all types of cutting, bevelling, welding and painting equipment and craneage with up to 1,000 tonnes lifting capacity.
- **Saipem SpA Kazakhstan Branch**, with offices in Almaty, Aktau, Uralsk, Atyrau, and Aktyubinsk.
- **Saipar Drilling Co**, a joint venture company with Parker, based in Aksai.

Saipem's activities

- Saipem's experience in the country is primarily in relation to the **Kashagan Field Development project**, the first large-scale offshore petroleum development in Kazakhstan and one of the largest and most complex industrial projects currently being developed anywhere in the world.

In particular, Saipem performed major activities between 2004 and 2012 for Agip KCO, as operator of the North Caspian Sea PSA (Production Sharing Agreement) including the engineering, procurement, laying, burying, testing and commissioning of pipelines, fibre optic cables and umbilicals of trunklines and production flowlines, installation of modular barges, flares, piperacks, connecting bridge and other structures at Islands D and A, mobilisation and installation of 2 drilling plants at Island D, fabrication of piperacks in Kuryk, and trunklines and production of clad flowlines.

For this project, the recent activities, partly ongoing, encompass the hook up and commissioning of offshore facilities, pre-fabrication and completion of modules at Kuryk Yard (May 2007, December 2013), the hook up and pre-commissioning of the Island D portion of the plant in 8 areas (April 2011, December 2013), the EPC and transportation of 2 topside clusters (June 2013, ongoing), the Installation of 2 CLAD trunklines from Island D to the onshore plant (August 2014, ongoing). Saipem also provided, for Daewoo Shipbuilding and Marine Engineering (DSME), the fabrication, assembly and commissioning of a semisubmersible drilling barge rig (2011, 2012), and for North Caspian Operating

3,268

SAIPEM'S EMPLOYEES

64%

OF WHICH ARE LOCAL

670

FRAMEWORK AGREEMENTS SIGNED

52,757

TOTAL TRAINING MAN-HOURS DELIVERED TO SAIPEM'S EMPLOYEES

Co NV, the installation of 2 pipelines (August 2014, ongoing), 28" x 95 km gas CRA (Corrosion Resistant Alloys) clad trunklines from Island D to onshore processing facilities.

- Other projects highlighting the strong presence of Saipem in Kazakhstan concern the Karachaganak field, the drilling/workover operations in Uralsk and Aktobe provinces, and two contracts encompassing the decommissioning and transportation of two rigs owned by the Client.
- The EPC of a jack-up drilling rig, awarded to the Consortium Ersai/Keppel Kazakhstan in 2012, is ongoing.

Business Outlook

Thanks to its specific experience in Kazakhstan in offshore and onshore activities, and based on its competitive advantages due to the Local Content strategies, Saipem is in a position to manage future business opportunities in the country, namely the projects coming from the planned major development of fields such as the Kalamkas, Aktote, Kairan, Pearls and Tengiz. Local Content is the critical market differentiator in the country and creates a strong competitive advantage compared to the other companies.

On-the-ground presence

Starting from the analysis of the needs of local communities and their expectations, every year Ersai defines a Sustainability Plan in agreement with local authorities and local communities.

This includes all initiatives mainly aimed at creating value in communities through health promotion, education and environmental and cultural awareness. In particular, the focus on youngsters and their education and wellbeing is an essential aspect to guarantee the future development of local communities.

Ersai Scholarship Programme

Since 2009, Ersai has successfully implemented its scholarship programme for school-leavers from low-income families in Kuryk village.

The main purpose is to support students from needy families by financing their studies at one of the State Universities of Kazakhstan in the specialisations required by the Company (i.e. welding engineers, electricians, mechanical engineers, ecologists, certification engineers, etc.). Ersai provides tuition payment for 5 years, a monthly allowance and transport costs. The annual selection of candidates takes place in two stages: a preliminary test and an interview.

9

GRADUATE STUDENTS WORKING IN ERSAI

13

STUDENTS ENROLLED

3

UNIVERSITIES INVOLVED IN THE PROGRAMME

For 2016, Ersai is planning to enrol 5 more students under the Ersai Scholarship Programme.

Boosting entrepreneurial potential

Ersai, in partnership with the Eurasia Foundation of Central Asia (EFCA), supports the entrepreneurship programme in Kuryk.

The project 'Boosting Entrepreneurship Potential in Kuryk' is designed to address the unemployment challenges in Mangystau Oblast.

To achieve its goal, Ersai and EFCA have adopted two approaches:

- 1) Develop business skills and opportunities of Kuryk citizens in order to encourage them to start or improve small businesses that serve local community needs.
- 2) Introduce handicrafts as a professional opportunity and a source of income for Kuryk women.

As part of the first 'business development' component, Ersai focuses on conducting business development training by organising business plan competitions and providing small grants and ongoing assistance to new entrepreneurs. As part of the second 'handicrafts development' component, Ersai focuses on holding craft workshops, performing arts-marketing and basic



Start-up development workshop

business training, organising crafts fairs and assisting artisans in partnership development.

The project has achieved the following major results:

- 8 new businesses were created (quail farm, beauty salon, shoe repair workshop, taxi service, felting workshop, turning shop, bakery and greenhouse) continued operating and expanded their activities.
- 3 women who participated in the crafts workshops in 2014 established handicraft clubs in local schools, receiving additional financial compensation for their activities and for the sale of their products.
- 9 women from Kuryk can sustain themselves thanks to regular income from handicrafts.
- The EFCA approached the United Nations Development Programme (UNDP) to request that it expand its business development programme to Kuryk and provide access to capital to other potential entrepreneurs, who can now take out loans at a facilitated interest rate. As a result of the positive outcome, the UNDP showed interest in the initiative.

1.5 mln tenge

TOTAL INCOME EARNED BY THE FAMILIES
PER MONTH

2 mln tenge

TOTAL TAXES PAID BY THE FAMILIES (*)

27

JOBS CREATED

around **300**

CLIENTS SERVED PER DAY

Supporting the education system in Kuryk Village

In June 2012, Ersai in cooperation with the EFCA, conducted a research project to assess the level of the educational system in Kuryk village. It led to the identification of the following initiatives.

Pre-school education initiative

As part of the 'Growing Together' Preschool Education Initiative launched in 2013, a tailored Montessori

programme (a model of human development and a related educational approach based on that model) was designed for Kuryk caretakers. The programme aims to improve the professional qualifications of kindergarten caretakers and administrators, strengthen parent-kindergarten partnerships by fostering parent involvement in the classroom, and increase community engagement in the education of young children in Kuryk. In 2015, experimental Montessori environments (provision of equipment and materials for each age group) were created in 'Kulyshakh', 'Akboke' and 'Aygolek' kindergartens to host 80 children. Kuryk kindergartens are the first public kindergartens in the Karakiya district to introduce free innovative Montessori methodologies for children. 24 Kuryk kindergarten teachers were trained by Montessori specialists who were hired as consultants to provide printed and video methodological materials to the trainees. Montessori specialists visited each kindergarten and helped create a Montessori environment in separate rooms. In addition, 36 teachers (18 from Kuryk kindergartens and 18 from elementary schools) were trained on how to make the transition of children from kindergarten to school less stressful.

Leaflets and booklets were prepared for parents covering all kinds of preschool education issues, practical advice and parenting tips, as well as Montessori recommendations. These leaflets aimed to reach out to parents and encourage them to participate in the education of their children.

Monitoring and evaluation were implemented in 2015. Two major assessments were conducted in October-November to observe initial project outputs and outcomes, discuss progress and challenges with diverse stakeholders, and solicit feedback for forthcoming project activities.

The Mangystau oblast Department of Education, the National Centre for Improving Teachers Qualifications 'Orleu' and the Republic Centre 'Pre-school Childhood' were interested in the programme and approved the activities organised. Representatives of these institutions participated in the demo-classes organised and appreciated the initiative.



Montessori training

(*) June 2014-December 2015.

'We started Montessori group in our kindergarten in April 2015 and have already received positive feedback from parents... Children really enjoy being in a Montessori environment, as they calm down and learn things... The more I work with Montessori methodology the more I love it, feel it and understand it. Now I don't want to go back to conventional education. Montessori has become my lifestyle!'



Teacher, 'Aygolek' kindergarten



Montessori training

The introduction of 'Step by Step' and Montessori methodologies has improved the level of primary education in Kuryk.

School Education Development project

Launched in 2013, the three-year 'School Education Development' project focuses on improving teacher qualifications, increasing student motivation through the development of leadership and communication skills and, finally, building strong partnerships among schools, parents and the community.

The programme has involved about 55 elementary teachers trained in innovative teaching methodologies for Maths, History and the Kazakh language.

Master classes and psychological training for 32 students have been organised to help them prepare for the final Common National Test.

Ersai has held two competitions among teachers and students. The best teachers received prizes and the best students visited the capital of Kazakhstan (Astana). Some additional results proving the effectiveness of the programme include:

- All 32 Kuryk school students involved passed the final Common National Test.
- Kuryk schools improved their overall ranking from 7th place to 5th place among Mangystau Oblast schools.
- 1 graduate from Kuryk received the 'Altyn Belgi' (Golden Medal) status and will have an opportunity to receive higher education for free.
- Teachers who participated in professional development training reported the success of their students.
- The project and Ersai company received the American Chamber of Commerce award for the project's achievements.

55

ELEMENTARY TEACHERS TRAINED

Fostering local manpower in maritime industry

As part of the Sustainability and Local Content Development Programme, Saipem implemented a 4-year Marine Training initiative in cooperation with International Maritime College Oman (IMCO) in Sohar (Oman) to foster professional manpower for operations in the maritime industry.

The 16 best candidates selected from the top Kazakhstan Universities were sent to IMCO, and on December 16 the first 8 cadets sponsored by Saipem successfully graduated. 2 Deck

Officers and 6 Marine Engineers received their Bachelor Degree Diploma in Nautical Studies and Marine Engineering, and a Certificate of Competence in accordance with STCW (Standards of Training, Certification and Watchkeeping for Seafarers) standards.

The academic programme, which consisted of theoretical and practical classes, was developed and delivered by the STC (Shipping and Transport College) Group from Rotterdam (Netherlands),

an academic partner of IMCO. Cadets were trained in the best innovative learning environment by teachers with a professional seaman background and from different parts of the world, thereby improving their practical skills on up-to-date simulators, and benefiting from a 12-month sea apprenticeship on the Atlantic Ocean and Caspian Sea, which enabled them to meet the requirements of the international maritime and Oil & Gas companies.

SAIPEM's presence in:

Gulf Cooperation Council countries and Middle East



Saipem has a strong presence in the Gulf Cooperation Council (GCC) countries and in the Middle East. In particular it operates in:

- **Saudi Arabia** - Saudi Arabian Saipem, Snamprogetti Saudi Arabia and Snamprogetti Engineering & Contracting Co Ltd at Al-Khobar and STAR - Saipem Taqa Al Rushaid in Dammam.
- **Qatar** - Saipem SpA Qatar Branch in Doha.
- **Kuwait** - Saipem SpA Kuwait Branch in Kuwait City.
- **UAE** - Saipem SpA Sharjah branch and SCN BV Sharjah Branch in Sharjah, Saipem SpA Dubai branch in Dubai and Saipem SpA Abu Dhabi branch in Abu Dhabi.
- **Oman** - Saipem SpA Oman Branch in Al Khuwair, Sultanate of Oman.
- **Iran** - Saipem SpA Iran Branch in Teheran.
- **Iraq** - Sajer, a JV with local partners, registered in Iraq since 2009, in Baghdad - Rumailah Camp Facilities in Rumailah.

Saipem's activities

Saipem has a significant track record in the area in both onshore and offshore activities. As of the end of 2015, Saipem was working on projects in Saudi Arabia and Kuwait.

Saudi Arabia

Saudi Aramco represents a strategic partner for Saipem in the area. The major projects underway, all awarded by Saudi Aramco, are listed below.

- **Jazan Integrated Gasification Combined Cycle (JIGCC) project:** Saipem is responsible for the EPC of Package 1 (Gasification) and Package 2 (Sulphur Recovery) of the 400 kbbl/d grass root Jazan Refinery and Terminal project being developed in the Jazan Economic City (JEC) in the southwestern region of Saudi Arabia. The design feed capacity of the IGCC is expected to be about 110 kbbl/d of VR (vacuum residue) and/or HSFO (high sulphur fuel oil) and will export a minimum of 2.4 GW of net power to the grid. Contract awarded in May 2014.
- **Khurais Expansion project:** contract awarded in October 2014 for the bulk of the construction activities at the Khurais field. Expansion of Khurais involves the installation of crude handling, stabilisation and gas compression facilities to increase production up to 1.5 million bbl/d.
- **Rabigh Phase II project:** it involves the expansion of the Petro Rabigh Refining and Petrochemical Complex located approximately 150 km north of Jeddah.

8,779

SAIPEM'S EMPLOYEES

83%

OF WHICH ARE LOCAL

3,511

LOCAL VENDORS QUALIFIED

848

FRAMEWORK AGREEMENTS SIGNED

317,522

TOTAL TRAINING MAN-HOURS DELIVERED TO SAIPEM'S EMPLOYEES

Construction is underway and the project is expected to be commissioned in the first half of 2016. Saipem is responsible for the EPC contract for the naphtha reformer unit and the aromatics complex.

- **Al Wasit Gas Programme:** Saipem is developing the Arabiyah and Hasbah fields which includes the engineering, procurement, fabrication and installation of a total of 12 wellhead platforms, 2 tie-in platforms and 1 injection platform, as well as a 36-inch 260-kilometre long export trunkline, approximately 200 kilometres of mono-ethylene glycol (MEG) pipelines, 200 kilometres of subsea electric and control cables and 40 kilometres of offshore flowlines. All fabrication activities are carried out in the yards of Dammam and as regards the larger structures, in the Saipem yard at Karimun, Indonesia. The offshore activities are performed mainly by the Castoro II and Castoro Otto vessels.
- **Saudi Aramco Karan:** an EPCI contract which involves the engineering, procurement, transportation and installation of offshore structures including observation platform, wellhead production deck module, auxiliary platforms, 20" internally clad flowline and composite power cable. Offshore installation activities will be performed offshore.

Kuwait

Al Zour New Refinery project (NRP) - Packages 4 and 5: contracts awarded in August 2015 by Kuwait National Petroleum Co (KNPC). Package 4 is related to the implementation on an EPC basis of the tank farm and associated utilities in JV with Essar Projects Ltd while Package 5 is related to the implementation on an EPC basis of the marine works of the refinery in JV with Hyundai E&C and SK E&C.

Business outlook

This area, without a doubt, represents one of the most interesting for Saipem considering both its experience and the consolidated relationship with clients. The abundance of reserves and a growth in oil consumption that is below expectations mainly support the downstream segment, especially in Saudi Arabia and in Iran. Oman and Qatar plan to invest in the infrastructure in which Saipem has significant experience having concluded the Shah-Habshan-Ruwais Etihad Railway project (UAE) in 2015.

Qatar will also invest in offshore gas production systems, as well as in the downstream field where Saipem has an excellent track record having concluded the largest fertiliser complex Qafco V and VI for Qatar Petroleum in 2014.

On-the-ground presence

Saipem has a long-term deep-rooted presence in the area, especially in Saudi Arabia and the UAE. The Company is committed to promoting local socio-economic development in the areas where it operates but the approach highly depends on its kind of presence (short, medium or long term). The programmes described below highlight Saipem's commitment in practice.

A sustainable supply chain in the Middle East

Since 2011, Saipem's 'Social Responsibility Campaign' has aimed to assess the alignment of suppliers with Social Responsibility International Standards and Saipem's principles. Bahrain and Saudi Arabia were included in the campaign for the first time in 2015 and two vendors were actively involved and audited on social responsibility issues. Results were satisfactory since no criticalities related to topics such as child labour, forced or compulsory labour or discrimination were found. The audits identified areas for improvement in the companies' policies and employee management in terms of health and safety, remuneration and working hours. Saipem's findings were submitted to the two suppliers in the form of an improvement plan. The suppliers will be required to show evidence of implementation during 2016. As a general approach, suppliers from Middle East

A. Napolitano, Desert snake, UAE



countries such as Bahrain, Saudi Arabia, Qatar, UAE and Iraq are required to report their practices in terms of social responsibility issues as part of the qualification process. An analysis of 2015 questionnaires shows that results for the Middle East area are in line with those from other geographical areas.

A Saudi-focused sustainability charter



In 2015, Saipem organised a Sustainability Strategy Workshop in Saudi Arabia in order to define strategy and key areas of intervention appropriate to that specific context.

18 participants from the management of Saipem Saudi Arabia companies were involved.

The first part of the workshop focused on the creation of a Sustainability Charter, consisting of a mission statement and a strategy definition. The mission statement concentrated on key aspects such as long-term growth, local stakeholders and local development. The strategy definition included 3 steps:

1. the selection and definition of sustainability themes which are more in line with the Saudi Arabian context (Local Content, stakeholder engagement, safety and asset integrity);
2. a SWOT (Strengths, Weaknesses, Opportunities and Threats) analysis, to identify the criticalities connected to the themes; and
3. the identification of 3 areas of intervention to improve

Saipem's performance on each theme selected. In the second part of the workshop a sustainability action plan was developed and a roadmap established. For each area of intervention, more details were provided about the activities needed in order to define an implementation plan for the next few years.

The participatory approach of the workshop resulted in the creation of the Saudi Arabia Sustainability Charter, where the strategy for the country was stated.

18

SAUDI ARABIA COMPANY MANAGERS ATTENDED

Working with subcontractors to guarantee safe operations

The characteristics that enable Saipem to stand out from its competitors are its roots in the country, its embedded HSE culture, its sustainability strategy and its Code of Ethics.

A significant proportion of work in construction and drilling activities in Saudi Arabia is carried out by subcontractors, over which Saipem has a supervisory duty. This consists in ensuring that subcontractors are capable of supplying a competent workforce and are aware of Saipem's requirements in terms of HSE. Following the one organised in 2014, a second HSE Forum was held on December 7 and 8, 2015 and involved 17 major subcontractors. The forum was attended by local Saipem companies and project representatives, as well as by the top management of the subcontractors involved in project operations.

The forum included a Leadership in Health and Safety workshop. It proved to be a positive, constructive experience that was appreciated by all those who took part. A common commitment to health and safety will allow significant benefits to be obtained on all project

Shah-Habshan-Ruwais Etihad: infrastructure project of the year



Saipem's Shah-Habshan-Ruwais Etihad Railway project was named Infrastructure Project of the Year at the Construction Week Awards 2015 held in Dubai. The project encompassed the engineering, procurement and construction of a railway line for the transportation of granulated sulphur, linking the natural gas production fields of Shah and Habshan to the port of Ruwais.

Etihad Rail is expected to benefit local communities and the national economy greatly.

Giuseppe Iocco, Project Director at Saipem, said: 'The scale and complexity of this project was immense, so to win this award is extremely gratifying. We actually set a new world record during the construction - 70 km of track laid in a single month'.



activities in terms of results, as well as in terms of levels of integration and team work. Saipem will monitor progress towards the 2016 undertakings throughout the year and these will be discussed at next year's HSE Forum, which will become an official event in Saudi Arabia Operations. Achieving improvements in the HSE culture of subcontractors represents a concrete investment in the local economy and will be of direct benefit to Saipem.

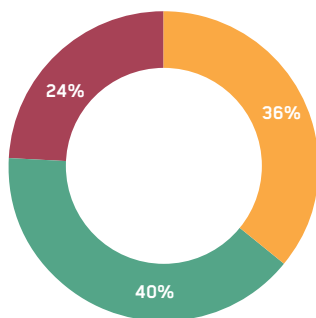
17

MAJOR SUBCONTRACTORS PARTICIPATED IN THE EVENT

Saipem's training hub in the Middle East

The Saipem Sharjah Training Centre was formally established in 2011 with the completion of the Training Centre's main building at Saipem's Logistic Base located at Port Khalid. The primary goal of the Training Centre was to cater employee training needs by delivering top-class courses, while being the epicentre of training excellence in the Middle East region. To date, the Saipem Sharjah Training Centre has widened its horizon by also assisting other Saipem Branches outside the Middle East. In 2015 alone, the Saipem Sharjah Training Centre delivered an average of 3 training sessions per month. The three sessions conducted covered managerial, technical and safety topics. The training courses were attended by employees from different Saipem companies/branches. Since its inception, the Sharjah Training Centre had already facilitated more than 500 training sessions and thousands of man-hours. Yet still, it remains fully committed to improving and excelling in delivering

Training man-hours per training type in Sharjah Training Centre



- Managerial
- Technical
- HSE

top quality training courses to continue to empower employees with the right knowledge and expertise. Here are some significant training sessions:

- **Training programme for Iraqi nationals:** as per project requirements, 30 Iraqi SOC (South Oil Co, the client) employees were trained and divided in three different groups (Technical, Operation and Management and AFC). The trainings were composed of 3 modules: Soft and Professional skills, Oil & Gas Industry Knowledge and Technical skills. The training started in June 2013 and was concluded in December 2014.
- **Training programme for Mozambican graduates:** as support to Saipem Mozambique, 13 graduates attended classroom training sessions in Sharjah. The Training courses conducted focused on the following areas: Project Management, Engineering, Construction, Quality, HSE, Project Control, Contract Administration.
- **Saudi internship programme of Al Wasit project:** in June 2011, 10 local engineers in multiple disciplines were hired by Saipem and were provided on-the-job training, development programmes and responsibilities within the Company's organisation. They were mobilised to the Design Office, Fabrication Office and the In-Kingdom Work site and Offshore spreads. The programme started 60 days after the beginning of the project and lasted till its completion.

In addition, the training centre developed a successful partnership with **King Fahad University & Minerals (KFUPM) for project environmental services and compliance monitoring in the Al Wasit project.** The university (located in Dhahran, Saudi Arabia) is a local leading educational organisation for science and technology that conducts high quality monitoring and research studies for Oil & Gas projects. Saipem requested the KFUPM Research Institute to prepare a report on Environmental and Compliance Monitoring for the activities associated with the development of the Saudi Aramco Arabiyah and Hasbah Gas Field. Monitoring was conducted between the years 2012-2015, and a monthly monitoring report was submitted by KFUPM. No major non-compliance issues were observed.

SAIPEM's presence in:

Indonesia



Saipem has been operating in Indonesia since 1995, represented locally by **PT Saipem Indonesia (PTSI)**. It is based in Jakarta with a Branch on Karimun Island, where the fabrication yard was officially opened in 2011. The subsidiary is active in Saipem's Offshore, Floaters, Onshore and Drilling businesses.

Saipem Karimun Fabrication Yard is currently the biggest fabrication installation in Southeast Asia, acting as a key player in the Oil & Gas industry in Indonesia where, jointly with the Jakarta EPCI Centre, Saipem Indonesia is qualified to perform Engineering, Procurement, Construction and Installation for both Offshore and Onshore projects. Furthermore, in recent years PT Saipem Indonesia has operated deepwater drilling vessels such as the Saipem 10000 and currently the Scarabeo 7 for the development of the Eni Muara Bakau field (Jangkrik Complex project).

Saipem's activities

Saipem is a landmark contractor in Indonesia thanks to its offshore track record. Its reputation today is enhanced by the execution of extremely complex projects in the Jakarta Operating Centre, as well as operations on Karimun Island.

- **Jangkrik FPU EPCI:** a barge shaped FPU performing full offshore processes and exporting treated gas onshore near the Sapi plant for tie-in to the 42" pipeline at the Badak Plant, as well as stabilised condensate to the 20" existing pipeline at the Senipah Plant. An additional tie-in to an existing 20" pipeline is envisaged to route part of the produced gas to the domestic market.
- **Jangkrik FPU Drilling:** 11 wells with drilling activities performed by Saipem using Scarabeo 7.
- **Tanggung LNG Onshore FEED:** new offshore facilities, including wellhead platforms and pipelines, and onshore development on the existing Tangguh brownfield site. The new onshore facilities include one additional natural gas liquefaction train of similar design and capacity to the existing trains, an onshore receiving facility (ORF), new LNG and condensate loading berth, additional boil off gas (BOG) recovery, condensate storage tank, utilities, flares and the infrastructure to support logistics and the associated increase in the temporary and permanent workforce. This project was successfully completed in December 2015.

3,584

SAIPEM'S EMPLOYEES

83%

OF WHICH ARE LOCAL

87%

OF GOODS AND SERVICES ORDERED LOCALLY

110,650

TOTAL TRAINING MAN-HOURS DELIVERED TO SAIPEM'S EMPLOYEES

Business outlook

The landscape of the Oil & Gas industry, both in Indonesia and globally, has experienced drastic changes in recent years. The future of Indonesian energy is gas. New pipeline exports are also transforming Indonesia's gas industry and driving up domestic gas demand. 60 sedimentary basins and 39 tertiary and pre-tertiary basins showing promise in hydrocarbons are under-explored. The gas reserve is 153.75 Tcf (Trillion cubic feet), while unconventional Oil & Gas reserves such as Coal Bed Methane are estimated at 453 Tcf and the shale gas reserve at 574 Tcf. According to the Indonesian Oil & Gas outlook, this will lead to 75 proposal developments in the forthcoming years.

Within this business outlook, PT Saipem Indonesia is currently exploring all available opportunities for 2016, focusing its main efforts on tenders related to gas field development.

Other opportunities can be found in the area of East Java connected to gas monetisation. In the offshore business, the area of the Abadi Field constitutes an opportunity for the development of FLNG and subsea projects.

On-the-ground presence

The long-term presence of Saipem in Indonesia has always been characterised by a sustainable approach, focused on Local Content promotion, skills development, support for the welfare of employees and a serious engagement process with stakeholders. However, activities and commitments have been tailored to the operating contexts. As can be easily understood, the impacts of Saipem's operation in Jakarta, the largest city in Indonesia, are very different from those on Karimun Island, where Saipem is the main industrial player. Consequently, the approaches adopted vary.

Sustainability approach on Karimun Island

Emergency management capacities of Karimun Hospital



A shared commitment to health care

Saipem has identified the promotion of health and safety as an area of intervention, actively involving several local stakeholders. In 2014, PT Saipem Indonesia signed an MoU (Memorandum of Understanding) with the Regency of Karimun in order to improve the emergency management capacities of the local hospital.

The initiative, completed in February 2015, consisted in refurbishing the hospital's emergency room, providing new equipment and organising a three-day training session on General Emergency Life Support (GELS) for about 40 doctors from Karimun and other islands nearby. The training was officially opened by the Karimun Regent. It was the first time they had attended this kind of training programme delivered by an international company and all feedback was positive. During 2015,

Saipem constantly monitored the effectiveness of the initiatives and shared the results with the Regency.

Health care for local women

In the second half of 2015, after dedicated meetings with local women, Saipem defined a programme to support the new Community Health Post located in West Pangke Village, the community surrounding the Karimun Yard.

The Health Post is targeted at mothers, their children and elderly women, and is visited twice a month by doctors and nurses from the local hospital who provide health assistance or improve awareness on certain topics. The new Health Post was built by drawing on the Development Fund of the Karimun Regency, but Saipem decided to contribute to the project by refurbishing the Post with windows, air conditioning and a playground and by providing medical equipment. Works will be completed in the first few months of 2016.

The Company plans to provide further assistance to the village in 2016, in collaboration with the local hospital. Saipem's doctors will implement training courses and other programmes based on the needs identified.

Sanitation system improvement in schools

Following an analysis of school facilities, and bearing in mind the increased number of students over the last years, Saipem decided to improve the Pangke Village Elementary School sanitation system to better meet pupil needs. Toilets and wash basins were installed and the plumbing system was repaired in the first few months of 2015.

The opening ceremony was held on May 9, 2015 and saw the participation of local authorities such as the representatives of the Health Office, the Education Office, the Head of West Pangke Village and the Head of West Meral Sub-district. On this occasion, Saipem, in cooperation with Women Empowerment and Midwife Association, organised games and dances for children to show them the proper way to wash their hands, as well as general hygiene best practices.

Introducing children to safety and environment protection

On August 2, 2015, in cooperation with its client, Saipem launched a sustainability initiative called Little-LiHSE (Little-Leadership in Health, Safety and Environment). The programme focuses on employee children aged between 7 and 11 years and aims to develop their

Promoting local employment and skills development



Due to the high workload in the Karimun Yard, including activities for topside fabrication on the Kaombo project, an intensive recruitment process was undertaken in 2015. Several additional production positions, such as supervisors, pipe fitters, welders, riggers, painters/blasters and helpers, were needed to manage operations. In order to fulfil project requirements and maximise local employment, the PT Saipem Indonesia Karimun Branch

(SIKB) conducted a recruitment campaign in the Karimun regency and in other Indonesian regions (Cilegon, Cilacap, Surabaya, Medan, Dumai, Palembang, Jakarta and Batam). The campaign will continue in 2016, consistent with project schedules. In accordance with operational needs, SIKB planned and realised several training programmes, mostly technical and HSE, conducted by external providers or in-house at the SIKB training centre.

493

PEOPLE TRAINED

7,484

TRAINING HOURS DELIVERED



Little-LiHS workshop

awareness of safety and environmental protection. The workshop covered several topics such as Road Safety, Safety at Home, Ergonomics, Healthy Lifestyle and Safeguarding the Environment. Practical sessions, games, quizzes and competitions were organised to involve the children more effectively. This first workshop was a success with 48 children present and the active participation of local management and representatives from local authorities.

A further 4 sessions were organised with the same format during the remaining part of the year involving a total of 231 children. The programme is expected to continue in 2016 with an additional 4 workshop sessions.

231

CHILDREN PARTICIPATED IN THE INITIATIVE

Sustainability approach in Jakarta

A responsible company in an urban environment

In accordance with the Community Initiatives Plan, PT Saipem Indonesia in Jakarta organised 2 initiatives to support the national educational system, the first one focusing on capability building and the second on improving school infrastructures.

Since 2015, Saipem has implemented a programme to develop the skills of local young students in cooperation with 'University of Indonesia' and 'Bandung Institute of Technology', two prestigious Indonesian universities. In both universities the Company organised a dedicated event to introduce itself, with a specific focus on its HSE system and approach.

Tests and interview sessions were carried out during the day. As a result, 2 students were selected to participate in Saipem's internship programme on the HSE Management System. After finishing the internship both students were evaluated and 1 is currently working for Saipem as an HSE System Engineer.

Moreover, Saipem actively supported improvements to part of the infrastructure of SMP Negeri 68, a junior high school in Cipete, South Jakarta. The Company cooperated with a local contractor to refurbish two student toilets which were damaged, unhealthy and unsafe. These were:

- the boys' toilet, consisting of 4 urinals, 2 squat toilets, 1 seat toilet, 2 washbasins, 3 water taps, mirrors, walls and tiled floors;

'This refurbishment has really helped reduce the hygiene problem at our school and we are happy and satisfied with the whole improvement, thanks to PT Saipem Indonesia'.



Feedback from a student

- the girls' toilet, consisting of 2 squat toilets, 1 seat toilet, 2 washbasins, mirrors, walls and tiled floors. In addition, this refurbishment included ceiling and plumbing arrangements. The initiative was highly appreciated, especially by the students.



Scouting young talents

The 'Young Engineer Sustainable Development Programme' (YESDP) started in 2015. Launched in Jakarta, it involved 13 young engineers (YE) who were assisted by 5 seniors, their mentors. YESDP aimed to:

- Develop the soft skills of young resources, such as communication, negotiation, leadership, organisation, problem solving and decision making.
- Foster an understanding of the Oil & Gas business, project management methods, EPCI project flow and technical engineering competencies.

- Promote innovation through sharing of knowledge and ideas between young and experienced staff. The programme consisted in both individual and group sessions based on case study discussion and problem solving. Mentors and YEs provided materials, presented the case study and managed the group sessions. Mentors analysed the potential of YEs, and supported them from beginning to end in approaching the case study and evaluating their improvements through individual assessment.

Human Factor Engineering on Saipem Indonesia projects

Human operating and maintenance errors on projects or Saipem assets can be significantly reduced through the review of human factors (ergonomics, or human engineering) during the facilities design and construction phases. Since Saipem was requested to develop different types of facilities in compliance with HFE requirements from the design phase, and since there was no recognised engineering practice in place, HFE Work Instructions were developed in 2013 as a benchmark for Saipem projects, assets and procedures.

This regulatory step demonstrates Saipem's commitment to creating a comfortable working and living environment, facilitating the development of a healthy workplace culture through good ergonomic layout and design, and protecting

the health and safety of personnel.

The application of HFE Work Instructions by PT Saipem Indonesia started during the project's design phase, when, in cooperation with the project's stakeholders, the applicable legal and regulatory standards and HFE Design requirements were reviewed. Once the definition of requirements had been finalised, a HFE Design analysis was carried out. The analysis focused on various activities such as:

- HFE critical analysis of valves and instrumentation;
- Skid package screening;
- Safety Critical Task analysis;
- Control room design;
- 3D model HFE review.

On complex projects, HFE requirements are implemented starting from the FEED (Front

End Engineering Design) phase.

These include operability, maintainability, entrances/exits, manual material handling, communication, labelling and environmental conditions. In the project transition phase (i.e. from engineering to construction or from construction to commissioning and start-up) there is a higher risk level related to safety issues and to the increased number of personnel involved. In this phase, a rigorous bow-tie analysis is carried out using the outcomes of Hazard Identification (HAZID) and Risk Assessment at a High or Medium Risk ranking.

As a next step, the HFE construction team will conduct a regular HFE workaround by giving HFE Awareness and Auditing courses in order to prevent and mitigate human errors.

SAIPEM's presence in:

Brazil



Saipem has been active in Brazil since 2002 and currently operates through its local entity, **Saipem do Brasil Serviços de Petróleo Ltda (SdB)**. Recently Saipem completed its world-class offshore **prefabrication yard located in Guarujá**, a metropolitan area in the coastal region of the São Paulo state which is very well-positioned to serve the rising offshore Santos basin. The **Centre for Technology and Construction Offshore (CTCO)** of Guarujá consists of an operational base with onshore facilities for storage, assembly and submarine component shipment, in order to support offshore activities carried out by Saipem in Brazil. CTCO supports offshore field development projects both as a yard (e.g. for the fabrication of subsea structures, riser systems, buoyancy elements) and as a logistics base (e.g. for the prefabrication of pipe joints to be installed offshore). Moreover, Saipem expanded its **Rio de Janeiro engineering and project execution centre**, therefore positioning itself as a partner of choice for Petrobras, capable of serving the National Oil Co as EPCI main contractor with local project teams in full compliance with Brazil's Local Content requirements.

Saipem's activities

Offshore business

Saipem completed for Petrobras:

- challenging deepwater subsea field developments such as 'P55 steel catenary risers and flowlines';
- offshore deepwater pipelines such as 'Sapinhoà (Guara) & Lula-NE pipelines' and 'Lula NE-Cernambi pipeline'.

Today, Saipem is executing several important deep and ultra-deepwater EPCI projects for Petrobras, including:

- 'Sapinhoà Norte and Cernambi Sul subsea offshore development';
- 'Lula Norte, Lula Sul and Lula Extremo Sul pipelines and free standing hybrid risers (FSHRs)'.

Drilling business

In recent years Saipem operated a few onshore rigs for Petrobras through Petrex, Saipem's drilling subsidiary in South America.

1,527

SAIPEM'S EMPLOYEES

63%

OF WHICH ARE LOCAL

51%

OF MANAGERS ARE LOCAL

65,191

TOTAL TRAINING MAN-HOURS DELIVERED TO SAIPEM'S EMPLOYEES

Onshore business

Saipem has provided Braskem with its Snamprogetti proprietary license for ETBE (Ethyl tertiary butyl ether), a bio gasoline additive produced partially from ethanol as a sustainable alternative to MTBE (Methyl tertiary butyl ether).

Business outlook

Notwithstanding the current global Oil & Gas downturn, coupled with reduced spending by Petrobras now resulting in a regional slowdown, the offshore basins in Brazil have a very high potential (Petrobras alone has huge reserves of some 16 billion bbl of oil) and are expected to keep the industry busy again in the medium to long-term. Future opportunities will come not only from the currently declining mature areas but also and mainly from further developments in the pre-salt area, including the huge and technologically challenging Libra field, for which Petrobras, with its partners Total, Shell, CNPC and CNOOC, has scheduled a first pilot to go online within the first quarter 2017. Finally, Brazil is increasingly attracting the Majors to take operatorship roles.

O. Furci, We are connected, Brazil



On-the-ground presence

Saipem proactively engages local stakeholders in order to promote a constructive and open dialogue and to support the well-being of communities surrounding its activities.

The general objective is to transfer knowledge and to spread HSE culture to employees and external stakeholders. The main initiatives implemented in 2015 are detailed below.

Initiatives addressed to employees

Several internal campaigns were carried out for Saipem employees focusing on health, safety and environmental promotion and topics related to business ethics. For example, an internal campaign raised awareness of the serious social problem of child sexual exploitation. On that occasion the issue was the object of active discussion and information brochures were distributed.

As part of the Company's commitment to keeping all employees informed of the Code of Ethics, induction moments for new employees and training sessions were organised to strengthen the knowledge of all Saipem personnel.

Concerning health protection, particular attention was paid to promoting awareness of dengue: indeed, Brazil is a hotspot for dengue fever, a disease caused by a virus spread by mosquitoes causing fever, dehydration and haemorrhaging that can be fatal. It is one of the most serious endemic diseases in terms of public health

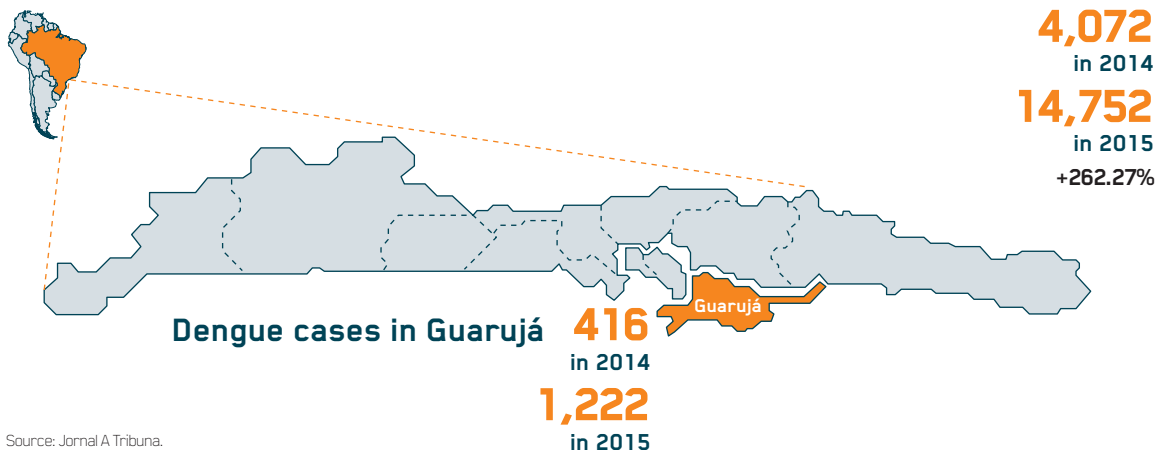
and economic costs. In 2015, Baixada Santista, an area which includes Guarujá, saw a dramatic increase in dengue cases compared to 2014 (see the infographic below). To educate personnel on this issue, Saipem organised internal awareness campaigns in February and December. The goal was to inform Saipem's employees of the risks and prevention measures, such as not allowing standing water to be left out and not disposing of rubbish in the yard in which water can accumulate. The 2016 campaign will be extended to local community members with the same purpose.

729

EMPLOYEES PARTICIPATING IN THE DENGUE CAMPAIGN

Brazil celebrated Fauna Defence Day on September 22, demonstrating the country's commitment to protecting the natural environment and biodiversity. To celebrate this day, Saipem held toolbox talks in Guarujá for the entire workforce focusing on wild animal rescue in the yard and the danger of running over animals on the roads outside the yard. The appearance of animals inside the yard and on nearby roads is very common due to the rich vegetation found in the area. For this reason a Wild Animal Rescue system is in place. Every animal identified in the yard is rescued by the environmental team and then sent to the proper destination: if hurt, the animals are sent to a treatment centre to receive proper care, if the animal is not hurt, it is returned back to its natural habitat, away from operational activities. About 60 animals were

Dengue cases in Baixada Santista region



Source: Jornal A Tribuna.

rescued in the last 2 years. Saipem also installed banners and distributed leaflets on the road outside the yard to everyone passing by calling attention to safe driving to prevent animals from being run over on the roads around the yard and all around Brazil. More than 475 million animals are run over each year on Brazilian roads. The motto of the day was: 'Respect the speed limit. Respect life!'.

about **60**

ANIMALS RESCUED IN THE LAST 2 YEARS



Welcoming new employees

In 2015, Saipem do Brasil launched 'Compagno Programme' in the fabrication yard. This initiative aims to make the first few days of new employees easier at Saipem do Brasil, focusing on Safety. Each newcomer is assigned for up to 90 days to a current employee from the same area who can act as a role model, clarify procedures, introduce the new employee to the team, etc. The *Compagno* is not the supervisor, but works close to him or her in order to guarantee proper support. The initial feedback has been very positive.



Promoting the well-being of local community

Many initiatives carried out were aimed at the local community and mainly focused on safety, environment and education. In the area of Santa Cruz dos Navegantes (a district of



Practical training for the voluntary fire brigade

Guarujá) fires, accidents or other domestic emergencies occurred frequently. In August, as part of the *Be Safe/ Live Safe Campaign*, theoretical and practical training conducted by the Fire Department was offered to 20 community volunteers. At the end of the training session, the voluntary fire brigade received fire extinguishers and the participants were awarded a certificate. The initiative strove to improve fire prevention knowledge and contribute equipment to the community and to provide support to the local fire department.

20

RESIDENTS TRAINED IN FIRE PREVENTION

The Guarujá and Santos areas are marked by the presence of the biggest port in South America, whose activities highly impact the surrounding environment.

Share & shape: a follow-up



Share & Shape, a project which invites young employees to share their ideas and help shape the future of the Company, was carried out in Brazil. In December 2014, the work groups presented top management with their ideas and projects they developed with the aim of achieving continuous improvements in terms of both Company processes and work life in general.

In 2015, a team composed of management representatives analysed the feasibility of the proposed initiatives. The Managing Director created a committee to define an action plan

and to work on its implementation. This committee was composed of representatives from different functions selected by the Share & Shape work groups and a representative of top management. Among the initiatives identified, three were implemented:

- establishment of periodic department meetings to strengthen communication, teambuilding and employee engagement;
- improvement of transparency in the Performance Evaluation process in accordance with suggestions made by Share

& Shape participants;

- internal training sessions to increase the understanding of the different department tasks, challenges and objectives. This allowed people to have a better understanding of the final outcome of their work, ask members of top management questions and promote a sense of belonging. This initiative empowered employees to act more confidently and developed a broader vision of internal processes reinforcing cooperation between departments.



Collecting waste during Coastal Cleanup Day

In this framework, on September 17, CTCO celebrated Coastal Cleanup Day, an event created by 'Ocean Conservancy' (an international NGO) 30 years ago and celebrated in more than 120 countries. On this occasion Saipem with its cleanup team, and in partnership with two maritime and land transportation companies, removed 121 kg of waste from nearby rivers and the surrounding sea: a great deal of light and micro waste, such as plastic and paper packing and Styrofoam, was removed. As part of the same initiative, Saipem also supported Greomar, an institute for the rehabilitation of marine animals and environmental education in Baixada Santista, to clean up the beaches around Guarujá city. Saipem distributed water and high visibility vests to participants. 700 people participated in this event and collected 748 kg of waste.

121 kg

WASTE REMOVED DURING COASTAL CLEANUP DAY

700

PEOPLE PARTICIPATING IN BEACH CLEANUP DAY

The Oil & Gas industry is relatively young in the Guarujá and Santos areas. For this reason Saipem held a lecture



Introducing Saipem to Unaerp students

in August on subsea engineering to the students of the University of Ribeirão Preto (Unaerp), one of the largest higher education and technology centres in the state of São Paulo, to provide a comprehensive description of projects developed by Saipem in Brazil and worldwide. For the occasion the SELCE Brazil study (carried out in 2014) was presented, pointing out the positive contribution of the Company in Guarujá and Baixada Santista's socio-economic context.

139

STUDENTS ATTENDING LECTURE

Strengthening local suppliers

Saipem contributes to the development of the local economy by also engaging with its local suppliers. Saipem is striving to increase the number of local suppliers involved in its activities. To achieve its goal, in cooperation with SEBRAE (Brazilian Service of Support for Micro and Small Enterprises), the Company organised a business meeting in December attended by 44 entrepreneurs from Guarujá. On this occasion the participants had the opportunity to become familiar with the projects developed by the Company and the qualification process.

44

LOCAL SUPPLIERS PARTICIPATING IN THE BUSINESS MEETING



Guarujá Yard

SAIPEM's presence in:

Other South American countries



The main company operating in the area is **Petrex SA**. Founded in 1983 and owned by Saipem since 1998, the company's head office is in Lima (Peru). The company's core business is onshore drilling. In 2015, Petrex operated in Peru (19 rigs), Venezuela (28 rigs), Colombia (6 rigs), Ecuador (4 rigs), Bolivia (3 rigs) and Chile (2 rigs).

Saipem's activities

Drilling

2015 saw a significant slowdown in activities, with a significant reduction of operating rigs (37 operative in December 2015). This was mainly caused by the significant drop in oil prices.

Onshore activities

In July 2015, Petrex SA's Chilean branch was awarded a contract for the construction and installation of a 160 km piping system for CODELCO (Corporación Nacional del Cobre de Chile), one of the biggest copper producers worldwide.

This project represents a record for Saipem. Indeed, the pipe will reach an altitude of 3,000 m above sea level and will be used to upgrade the extraction levels inside the Radomiro Tomic plant, located at 1,670 km from Santiago. Completion date is foreseen for the end of 2018.

Marine works

A few years ago, Saipem Group, together with Oderbrecht as commercial partner, implemented two marine works in Peru on an EPC basis:

- **Puerto Callao Muele Sur**: construction of a large pier with relevant infrastructures at Puerto Callao, near Lima, for the Dubai Port World (2008-2010);
- **Puerto Melchorita LNG**: construction of the port of Melchorita for Peru LNG (2007-2010).

3,659

PEOPLE EMPLOYED BY PETREX

95%

OF WHICH ARE LOCAL

53%

OF PETREX MANAGERS ARE LOCAL

3,421

LOCAL VENDORS QUALIFIED

In Colombia, during the years 2010-2012, the Saipem Group completed implementation of the **Porto Nuevo project**, which consisted in the construction of a first phase of new coal direct-loading facilities for ships in the Caribbean Sea.

Business outlook

At the end of 2016, at Mariposa lake, 300 km from Santiago, Petrex will start drilling for a new geothermic project on behalf of EDC, a Philippine company operating in power generation from unconventional sources. Looking to the near future, opportunities may arise for Saipem, particularly in the onshore downstream business (refining segment).

A. Dadasovic, Castoro 10 offloading, Curaçao



On-the-ground presence

Petrex is aware of its responsibility towards its stakeholders within and beyond the organisation. The company's employees, their families, local suppliers and the host communities are included in its Sustainability Programme. Petrex's sustainability actions are especially focused on guaranteeing the welfare of employees in the workplace through activities such as health training, medical counselling and medical emergency response plans. Furthermore, being aware of the company's impact on employee families, Petrex considers their wives and children to be very important stakeholders and, in order to improve their wellbeing, promotes several initiatives to promote healthy lifestyles, strengthen entrepreneurial skills and improve education. In addition to this, Petrex is firmly committed to supporting efforts to improve the living standards of host communities. Support covers education, environment, health promotion, local employment and the local supply chain.

FamiLiHS: Saipem cares about its employees' families



Over the past few years Saipem has extended its sustainability actions to its employees, their families, local suppliers and the host communities where the Company operates. In this framework, Petrex began to organise workshops to extend the health and safety culture to its employees'

We Want Zero in Venezuela we want *ero*

In 2015, Petrex launched a WWZ programme to reduce the number of incidents involving rig operational personnel and equipment. A series of actions addressed to operational personnel were implemented focusing on: Competence, Awareness and Responsibility.

With regard to **Competence**, the action implemented aimed to improve the technical operative skills of rig crew personnel, team coordination and safety awareness. This activity was carried out by involving 4 experienced Toolpushers. They were tasked with acting as tutors for the drilling crew, performing on-the-job training and, if necessary, indicating training needs.

The theme of **Awareness** was approached focusing on:

- **cultural dimension.**
3 local culture training

courses were organised for 36 expatriate personnel, aimed at understanding the Venezuelan context and culture, and at improving communication and relations with local personnel;

- **communication and teamwork.**

Team work training courses for rig crew personnel were held aimed at reinforcing communication and working together as a team. 5 sessions were organised involving a total number of 60 local personnel;

- **comprehension of HSE documents.**

Job Safety Analysis was revised, including pictures of correct and safe sequences of operations in order to facilitate comprehension of the safety precautions by rig personnel during routine operations.

The **Responsibility** dimension saw

the implementation of two actions.

The first was the connection of two remote rigs to the main offices via the installation of video cameras that facilitated monitoring critical operations in real time and intervening in cases of unsafe actions or hazardous situations. The second action was the implementation of multiple daily tours on each rig performed on a regular basis by Rig Supervisors. The purpose was to enhance the safety awareness of rig personnel and improve the sense of responsibility of Rig Supervisors to HSE topics through intervention in case of unsafe acts. As result of this activity, the number of Safety Hazard Observation Cards compiled by Rig Supervisors and HSE workers increased significantly, from 24,017 in 2014 to 68,341 in 2015.

'As a family we learned about the importance of safety in all kinds of work and in our homes. I liked it all; the talks, the teaching, the integration with other families, but above all the message of safety'.



Wife of a welder (rig PTX 5815, Peru)

families, introducing the principles of prevention and making them capable of identifying the hazards of everyday activities, and raising their awareness of Saipem's operations and its Health and Safety Vision. In 2014, Petrex improved the programme by integrating elements from the LiHS programme. Since then, the programme has been called FamiLiHS.

FamiLiHS has become a tool to gain the allegiance of families in the effort to work in a zero-accident environment. But beyond this, families learned a way to strengthen bonds through FamiLiHS.

FamiLiHS Facilitators were also able to learn from this experience by developing their leadership skills and spreading belief in Saipem's Health and Safety Vision.

233

FAMILIES PARTICIPATED IN FAMILIHS PROGRAMME IN 2015



Introduction to drilling in Venezuela

The 'Introduction to Drilling' workshops are an innovative and effective method to achieve different goals at the same time, namely, contribute to local growth, comply with Petrex's standards, reduce the risk of accidents on temporary workers, and comply with the client's objective of distributing the benefits of the Oil & Gas industry among the local population.

The workshops provide basic training to local inhabitants of the communities where Petrex operates; not only do they learn about operations and tools used for drilling, but also safety, health, environment, and labour rights. The participants become capable of covering temporary job positions in local Petrex operations.

This initiative was part of Petrex's attempt to comply with the Sistema de Democratización del Empleo (SISDEM), established by the client PDVSA to promote

the temporary hiring of local inhabitants among its contractors.

6

INTRODUCTION TO DRILLING WORKSHOPS CARRIED OUT

210

LOCAL INHABITANTS TRAINED

Campaign for prevention and control of dengue in Peru



Awareness campaign against dengue

Petrex joined the Peruvian Ministry of Health to support the Campaign for Control and Prevention of Dengue fever in endemic areas of greatest risk in Talara, a town that suffers from inadequate water services.

This chronic shortage causes the water supply from other sources and water stored in pits, plastic recipients, jars and buckets, to become breeding sites for the dengue mosquito. In order to mitigate this situation, which undermines the security and health of residents, the Ministry of Health conducts an annual programme in Talara to prevent and fight dengue.

'Thanks to Petrex, today we learned important things that will serve as the basis for future employment opportunities.

We hope they will continue with these workshops, helping many more people, just like they helped us'.



An 'Introduction to Drilling' participant



'We overcame our cultural differences by working with women from the five villages in Rionegro.

After this experience, we are motivated to form a group to resolve the cultural differences between our communities and start working together.

Thanks to Petrex for integrating our communities'.

A woman from Maracaibo Community

In 2015, the Petrex Base in Talara joined the programme and facilitated expansion of the project's scope to areas at greatest endemic risk. The health campaign was developed over two phases in June and in September-October: the first involved publicity through posters placed in public places; the second consisted of in-home inspections in sensitive areas of Talara, reaching 4,410 homes and 16,379 habitants.

4,410

HOMES INSPECTED FOR DENGUE CONTROL

Productive Unit for Women in Colombia

The rig PTX 5815 is located in the rural municipality of Rionegro, Colombia. This area is characterised by a high rate of gender inequality and social conflicts generated by cultural differences; the economy depends on the oil sector, impacting job opportunities for women in the area.

For this reason, Petrex decided to encourage women's empowerment by sharing knowledge and tools to start new businesses in their communities. In this way women can generate new income and raise their self-esteem by developing their entrepreneurial skills.

30 women participated in a pastry training programme and **4 new businesses were created**. In this framework, the client Ecopetrol participated as a key partner for contacting and facilitating the programme in 5 communities.

30

WOMEN INVOLVED IN THE INITIATIVE

Promote recycling in Bolivia



Introducing children to recycling

Currently the recycling management policies in the town of Santa Cruz are inadequate. Children represent an opportunity to change this situation in the future. In June, Petrex developed a workshop to train how to correctly recycle at home. It was addressed to employee families in Santa Cruz and involved 57 participants. The children learned through games and quizzes how to classify, recycle and reuse the waste and also discussed the responsible consumption of water.

57

PARTICIPANTS INVOLVED
IN THE FIRST WORKSHOP



'In the workshop we learned how to classify waste at home and the importance of the rational use of water. The presentation was very pleasant and I enjoyed the participation of children'.

Wife of a mechanic (rig PTX-27)

Methodology and Reporting Criteria

Reporting principles

'Saipem Sustainability' provides complete, detailed information about the matters of greatest interest to the Company's stakeholders. The document is prepared in accordance with the Global Reporting Initiative (GRI) guideline version G4 'In Accordance' with the Core Option. The following principles have been used to identify the contents of the document: materiality, stakeholder inclusiveness, sustainability context and completeness. To guarantee the quality of the information contained in the report, the principles of balance, comparability, accuracy, timeliness, clarity and reliability were followed, again as per GRI guidelines. Disclosure on management approach are described in Annex I of this document.

The report is published annually and is approved by the Sustainability Committee, the Corporate Governance Committee and the Board of Directors. It is distributed at the Shareholders' Meeting convened to approve the Annual Report.

Materiality analysis

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 2015, hence for the fifth year running.

The first step entailed identifying the significant aspects which are considered in the analysis in order to pinpoint those that are material. The identification is based on the sustainability context and on the analysis of the stakeholders involved. In order to simplify analysis and comparison of results, the 31 topics identified were broken down into 5 macro categories: Environment, Business Management, Employees, Human Rights and Local Communities.

Final long list of issues	Topic
Environment	Climate change mitigation, GHG emissions, Energy efficiency, Water management, Water pollution, Biodiversity and impact on ecosystems, Waste generation, Spill prevention and response, Renewables.
Business Management	Anti-Corruption and ethical business practices, Public policy engagement, Transparency, Corporate governance, Safe operations, Asset integrity and process safety, Ethical supply chain, Innovation and business flexibility.
Employees	Global diversity and inclusion, Gender diversity, Training and development, Health, Safety, Talent attraction and retention.
Human Rights	Child labour, Forced and compulsory labour, Labour rights, Security practices.
Local Communities	Local Social Licence to operate, Local Procurement, Local employment, Community Initiatives, Charity, Donations and volunteering, Emergency preparedness.

The level of external interest was defined by interviewing and surveying a balanced mix of external stakeholders, in terms of types of organisation (29 clients, 10 local community/NGO representatives, 19 business partners and vendors, 3 business associations, 10 investors and 5 government and regulator representatives) and geographic focus (6% international, 24% European, 16% from CIS area, 20% African, 25% American, and 9% Asia-Pacific area). The results were integrated with the results collected in the sustainability section of the Engagement Survey which involved more than 7,400 employees.

In order to define the level of internal significance, a working session was organised in November 2015. A representative panel of Saipem management actively participated. In the first part of the working session managers were asked to identify the most important themes, in terms of risk and opportunities, for the long-term success of the Company.

The materiality of topics is determined by the nexus of internal and external significance. In the second part of the session, they were divided in 4 working tables (according to their areas of expertise) to discuss the resulting material issues.

The discussion provided the input for the preparation of a first draft of the 2016 Saipem Sustainability plan.

The materiality analysis results and the draft of the 2016 Sustainability plan were verified and approved by the Sustainability Committee in December 2015.

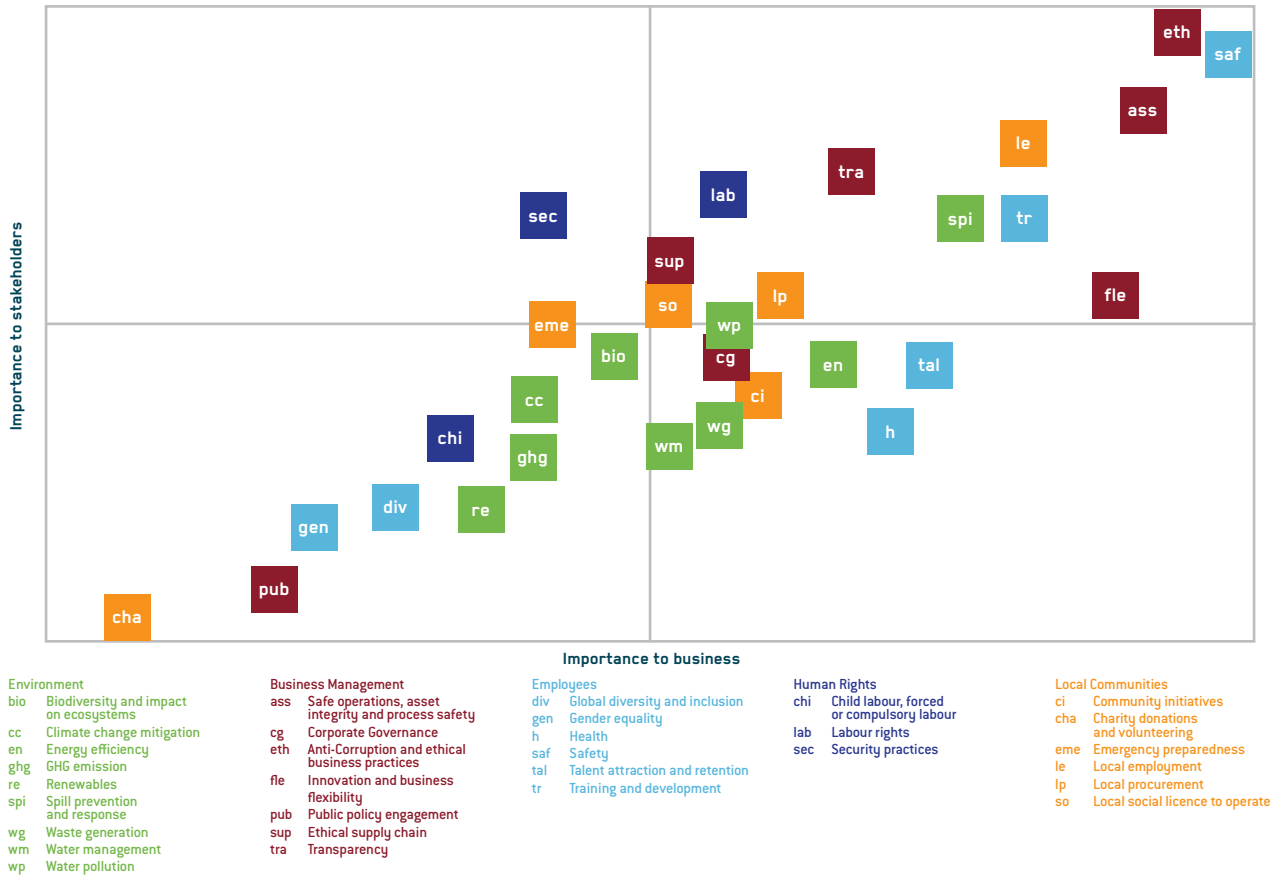
 The 2016 Sustainability Plan is available on page 10.

Materiality analysis results and report content

The most significant themes form the basis of this document and provide qualitative and quantitative information on the Company's sustainability performance. They are present in the upper right quadrant of the matrix (see below).

They are: (a) Anti-Corruption and ethical business practices; (b) safety; (c) safe operations, asset integrity and process safety; (d) local employment; (e) training and development; (f) transparency; (g) spill prevention and response; (h) local procurement; (i) innovation and business flexibility; (j) labour rights; (k) ethical supply chain; (l) local social licence to operate.

Sustainability priorities



The vertical axis of the matrix represents the 'Importance to Stakeholders,' and the horizontal axis represents the 'Importance to Business'. The GRI G4 guidelines recommend that reporters define the vertical axis as 'Influence on Stakeholder Assessments and Decisions', which corresponds substantially with the above mentioned definition ('Importance to Stakeholders'). The GRI also recommends that reporters define the horizontal axis as 'Significant Economic, Environmental, and Social Impacts'. After internal consideration, it was decided to retain the 'Importance to business' definition for the horizontal axis in order for the materiality matrix to focus on Saipem's overall sustainability strategy, rather than on simply identifying impacts.

Selection of the activities and programmes to be reported in detail in relation to the themes identified as 'material' was carried out with due regard for the sustainability context in which Saipem operates.

'How Saipem creates shared value' is available on page 15.

'Saipem's world' is available on page 47.

Greater weight was assigned to those issues and geographical areas in which the Company has a more significant impact. Where possible, project performance indicators reported were contextualised with reference to detailed information on local conditions.

The reporting boundary

In order to facilitate reader comprehension of performance trends over time, Saipem Sustainability contains information on, and a description of, the sustainability initiatives and the performance indicators of Saipem SpA and all of its subsidiaries, including any companies involved in joint ventures with it, for the 2013-2015 period. According to the GRI G4 guideline, the boundary of Saipem material issues refers to the description of where they occur (both inside and outside the Company boundary). Saipem's material issues and the corresponding GRI G4 aspects are listed in the chart below.

Material issue	Corresponding GRI G4 aspect
1) Safety	Occupational Health and Safety
2) Safe operations, asset integrity and process safety	Occupational Health and Safety
3) Spill prevention and response	Effluents and waste
4) Local employment	Market presence
5) Local procurement	Procurement practices
6) Local social licence to operate	Local Communities, Indirect economic impacts
7) Anti-Corruption and ethical business practices	Anti-Corruption, Labour Practices Grievance Mechanism, Human rights Grievance Mechanism, Investments
8) Innovation and business flexibility	n.a.
9) Transparency	n.a.
10) Ethical supply chain	Supplier environmental assessment, Supplier Assessment for Labour Practices, Supplier Human Rights Assessment
11) Training and development	Training and education
12) Labour rights	Employment, Freedom of Association and Collective Bargaining, Child Labour, Forced and Compulsory Labour, Non-discrimination, Diversity and equal opportunities

Other issues still considered of high importance for financial stakeholders:

Material issues	Corresponding GRI G4 aspect
Energy efficiency	Energy
Climate change mitigation	Emissions

Internal boundary

The above issues are material for all Business Units. As regards financial data, in line with the drafting of the financial statements, the reference perimeter corresponds to the area of consolidation. Alongside financial performance, sustainability reporting also describes social and environmental performances and hence includes numerous topics for which perimeters differing from those used in financial reporting are applied. For HSE data, the reporting perimeter includes all activities in which Saipem is responsible for setting HSE standards and for ensuring and overseeing their application. As regards other thematic areas, Saipem reports 100% of operations in which Saipem SpA or one of its subsidiaries exercises operational control.



Companies included in the reporting boundary are listed in the 'Saipem Group Structure' in the Annual Report.



Further details are available in the Annual Report.

External boundary

For some material issues, the impact of Saipem activities occurs beyond the organisation boundaries.

In the 'External boundary' column the stakeholder categories impacted by Saipem operations are specified for each material issue. The limitations that arose that refer to the boundaries of each material issue were also reported (when needed) in the table below under the 'Limitations' column.

Material issues	External boundaries	Limitations
1) Safety	Vendors and subcontractors	Partial for vendors
2) Safe operations, asset integrity and process safety	Vendors and subcontractors	Partial for vendors
3) Spill prevention and response	Vendors and subcontractors	Partial for vendors
4) Local employment	Local communities, agency personnel	-
5) Local procurement	Local communities	-
6) Local social licence to operate	Local communities	-
7) Anti-Corruption and ethical	Business partners, vendors and subcontractors	-
8) Innovation and business flexibility	-	-
9) Transparency	-	-
10) Ethical supply chain	A Group of vendors	Partial for vendors
11) Training and development	-	-
12) Labour rights	-	-

Other issues still considered of high importance for financial stakeholders:

Material issues	External boundaries	Limitations
Energy efficiency	Vendors and subcontractors	Vendors
Climate change mitigation	Vendors and subcontractors	Vendors

With regard to the material issues for which reporting has not been extended to the external scope (G4 - omissions), Saipem will assess the feasibility of increasing the reporting boundary. More details are described in the GRI content index.

Assurance Statement

To assure the reliability of the information provided and to improve the reporting process, 'Saipem Sustainability 2015' is subject to limited assurance by Reconta Ernst & Young.

Annexes

Annexes are attached to 'Saipem Sustainability 2015' and can be found at the following link:



Annex I
Approach to Sustainability



Annex II
GRI Content Index

Assurance Statement



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20123 Milano

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Fax: +39 02 72212037
ey.com

Independent auditors' report on the "Saipem Sustainability 2015"

To the Shareholders of
Saipem S.p.A.

We have carried out a limited assurance engagement of the document "Saipem Sustainability 2015" (hereinafter "Saipem Sustainability") of Saipem S.p.A. and its subsidiaries (hereinafter "Saipem Group") as of December 31, 2015.

Management's responsibility on Saipem Sustainability

The Management is responsible for the preparation of the Saipem Sustainability in accordance with the "G4 Sustainability Reporting Guidelines", issued in 2013 by GRI - Global Reporting Initiative, that are detailed in the paragraph "Methodology and Reporting Criteria" of the Saipem Sustainability, as well as for that part of internal control that they consider necessary in order to allow the preparation of a Sustainability Report that is free from material misstatements, even caused by frauds or not-intentional behaviors or events. The Management is also responsible for defining the Saipem Group's commitments regarding the sustainability performance and for the reporting of the achieved results, as well as for the identification of the stakeholders and of the significant matters to report.

Auditors' responsibility

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

The procedures performed on the Saipem Sustainability were related to the compliance with the principles for defining report content and quality, as articulated in the "G4 Sustainability Reporting Guidelines", and are summarized below:

- a. Comparison of the economic and financial data and information included in the Saipem Sustainability with those included in the Saipem Group's consolidated financial statements as of December 31, 2015 on which we issued our audit report, pursuant to art. 14 and 16 of Legislative Decree dated January 27, 2010, on April 6, 2016;

Reconta Ernst & Young S.p.A.
società a partecipazione paritetica
Capitale Sociale € 1.402.500,00 i.v.
iscrizione alla S.O. del Registro delle Imprese al n. 474744 del Tribunale di Milano
Codice Fiscale e numero di iscrizione al Registro Imprese 00120090965-1 (partita IVA)
R.I.A. 09891231033
iscritta all'Albo dei Revisori Legali al n. 109457 (autorizzazione n. 2013/13 - 19 del 19 settembre 2013)
iscritta all'Albo Societario delle società di revisione
Consiglio di Amministrazione: presidente A. Tosi (C.F. 0011779967)

Ernst & Young Global Limited



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

The data and information which are subject to the limited assurance are reported, in compliance with "G4 Sustainability Reporting Guidelines", in the table "Annex II - GRI Content Index" of the Saipem Sustainability.

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



Conclusion

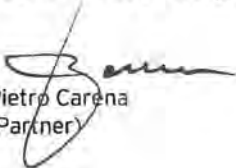
Based on our work, nothing has come to our attention that causes us to believe that the "Saipem Sustainability 2015" of Saipem Group as of December 31, 2015 is not in compliance, in all material aspects, with the guidelines "G4 Sustainability Reporting Guidelines" issued in 2013 by the GRI - Global Reporting Initiative, as stated in the paragraph "Methodology and Reporting Criteria" of the Saipem Sustainability.

Other matters

The Management restated certain comparative data related to the prior years with respect to the data previously presented and subject to our limited assurance, on which we issued our auditor reports on April 8, 2014 and on April 2, 2015. We have examined the method used to restate the comparative data and the information presented in the explanatory notes in this respect, for the purpose of expressing this report.

Milan, April 6, 2016

Reconta Ernst & Young S.p.A.



Pietro Carena
(Partner)

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Società per Azioni

Share capital: €2,191,384,693 fully paid up

Tax identification and Milan Companies' Register

No. 00825790157

Feedback

What you think of the Saipem Sustainability Report matters to us. As we are constantly striving to improve our reporting, we would very much welcome your feedback. We will also be pleased to answer any questions you may have.

You can submit your comments by email to:
sustainability@saipem.com.

Special thanks to all those who contributed to the drafting of this report.

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





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