REVALUE: MEASURING THE REAL VALUE OF SAIPEM'S OPERATIONS

2022

SAIPEM

REVALUE: MEASURING THE REAL VALUE OF SAIPEM'S OPERATIONS

Saipem's sustainable business strategy is driven by the creation of shared value. This is the basis of the company sustainability concept that recognises the importance of taking the stakeholders into account in the value creation process, including the society as a whole and the environment.

REVALUE is the internal designed Saipem methodology that provides a monetary quantification of the social and environmental impact that the company generates in the society. The aim of REVALUE is to give an overall representation of the contribution to the creation of value that Saipem provides to the economy also through its sustainable business.

The objective of measuring social and environmental impacts is of fundamental importance for Saipem to better integrate sustainability aspects into its strategic planning and decision-making process.

REVALUE results provide adequate information and understanding about the changes in society and environment caused by Saipem operations, consenting to identify mitigation actions for the main negative impacts and to maximise the positive ones strengthening the business sustainability contribution.

Saipem REVALUE results are published on annual basis, consenting our stakeholder to get an understanding about the overall impact generated by the company in society.
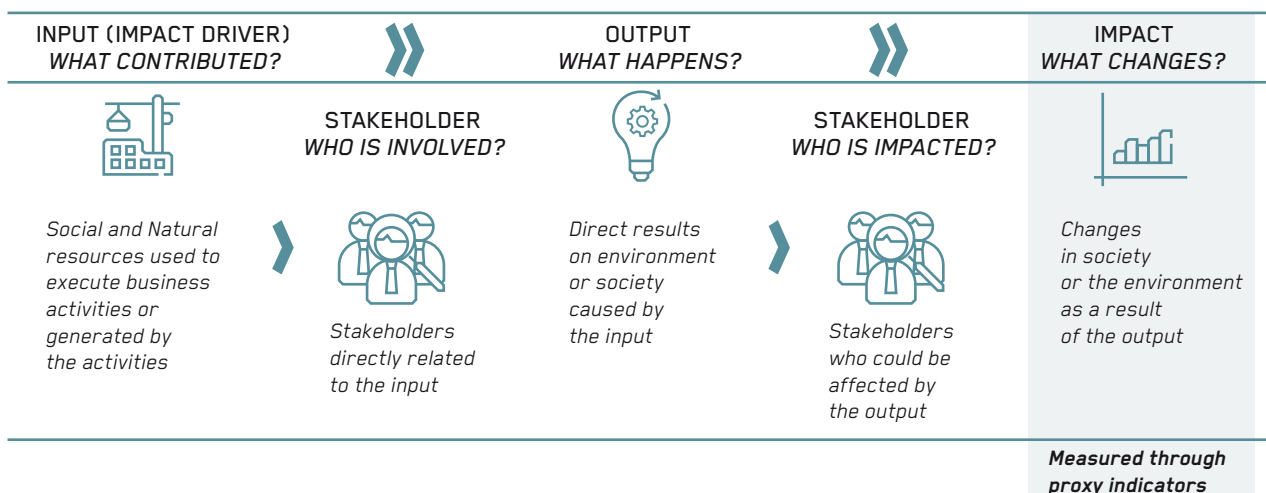
METHODOLOGY OVERVIEW

REVALUE model, applied since 2016, is inspired by the "Environmental and Social Profit & Loss Account" and "cause-consequence analysis models", which allow to analyse and quantify the costs of the environmental and social impacts of operating activities.

REVALUE model has been structured considering a "continuous improvement" approach, allowing for the possibility to constantly integrate, revise and further refine the model concept and the quantification of the indicators for impact evaluation. Calculating the environmental and social impacts poses an important challenge in terms of identification of adequate proxies to transform the company business inputs into significant economic outputs.

REVALUE model is based on existing impact measurement techniques that delineate the relationship between business activity inputs (impact driver), their corresponding outputs and their long-term outcomes. The impact is then the measure of the outcome attributable to the business activities.

This causal process has been structured considering the perspectives and impacts for Saipem's relevant stakeholders, including government and local authorities, business partners, local employees, and neighbouring communities. The representation of the impact pathway is presented below:

REVALUE Methodology overview

INPUT (IMPACT DRIVER) WHAT CONTRIBUTED?		OUTPUT WHAT HAPPENS?		IMPACT WHAT CHANGES?
	STAKEHOLDER WHO IS INVOLVED?		STAKEHOLDER WHO IS IMPACTED?	
Social and Natural resources used to execute business activities or generated by the activities	Stakeholders directly related to the input	Direct results on environment or society caused by the input	Stakeholders who could be affected by the output	Changes in society or the environment as a result of the output

Measured through proxy indicators

The measurement of the environmental and social impacts may be defined as the sum of an organisation's negative and positive impacts during a defined period expressed as a monetary value.

Social impacts   Environmental impacts   Organisation total impacts
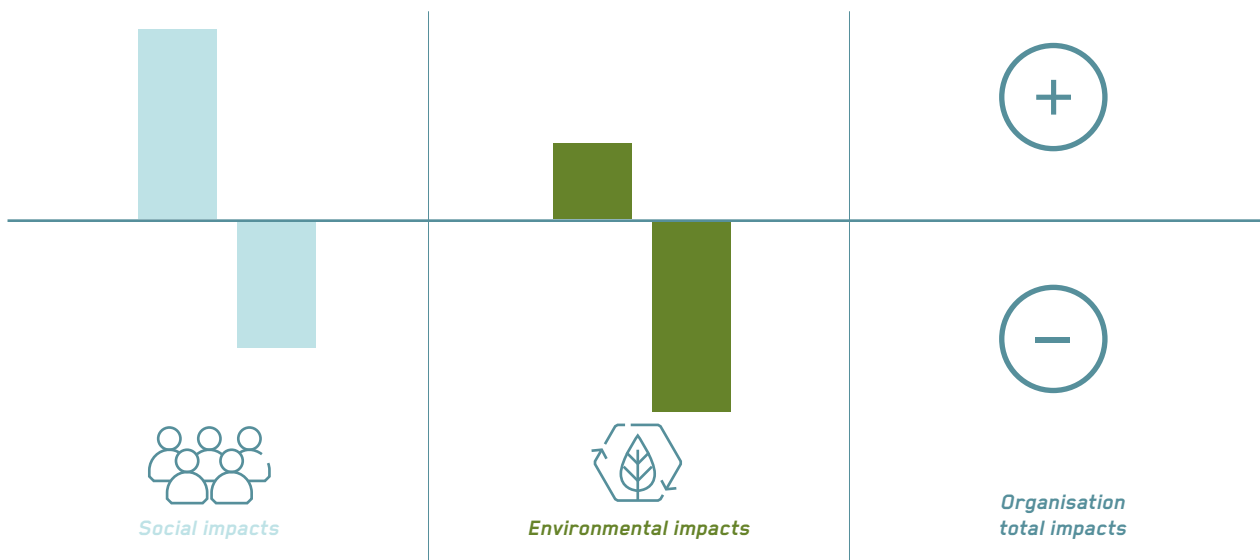
MEASUREMENT OF IMPACTS THROUGH PROXY INDICATORS

Proxies have been identified and quantified to measure the impacts using different methodologies and data sources, both internal and external.

At present, only some of the impacts identified have been quantified by use of a proxy indicator due to a limited availability of data and studies that can represent the effect on society and environment connected with the impact driver.

Starting with the input data from Saipem internal accounting systems, the impacts were calculated by use of proxies to transform in a monetary quantification value.

Social Impacts

| INPUT		IMPACT	PROXY
Impact driver	**Indicator**		
Employment of local personnel	*Total number of direct Saipem employees worldwide*	**Improvement in material living standard for local employees**	*Impact in terms of Household consumption of employees' families, associated with salaries paid to employees, calculated by use of the Saipem SELCE Model, applied to all Saipem countries of operation.*
Health & Safety accidents	*Total number of fatalities and LTI of employees (including subcontractors)*	**Change in well-being due to Health & Safety accidents**	*Societal costs associated with the number of accidents of Saipem employees and subcontractors calculated based on the "Costs to Britain of workplace fatalities and self-reported injuries and ill health, 2019-2020" study.*
Employee Training	*Total number of training hours*	**Improved employability associated with skill development**	*Indirect and induced effect of the Human Capital Development impact category of the Saipem SELCE Model, applied to all Saipem countries of operation (calculated as increased earning expectancy and reduction of unemployment risk).*
Taxes paid	*Total value of taxes paid locally (€)*	**Increase in demand and consumption generated in the local economy associated with public investments**	*Backward linkage multiplier calculated as inverse Leontief coefficients from country Input/Output Table, corrected for economic inefficiencies with the country-level Corruption Perception Index.*

Environmental Impacts

INPUT		IMPACT (€)	PROXY (Externality impact estimation)
Impact driver	**Indicator**		
GHG emissions	*Total GHG emissions (Scope 1 and 2) (kg CO_2 eq)*	***Change in health and well-being of local communities***	*Societal cost of GHG emissions calculated based on the Environmental Priority Strategy (EPS) 2015 dx (www.ivl.se/eps).*
Other air emissions	*Total air emissions (VOC, CO, PM, SO_2, NO_X) (kg)*	***Change in health and well-being of local communities***	*Effect of air pollutants on people and the environment calculated based on the Environmental Priority Strategy (EPS) 2015 dx (www.ivl.se/eps) as societal costs of CO, PM, NMVOC, NO_X, SO_2.*
Avoided GHG emissions	*Total avoided GHG emissions associated with energy efficiency initiatives (kg CO_2 eq)*	***Avoided change in health and well-being***	*Avoided societal costs associated with GHG emissions calculated based on the Environmental Priority Strategy (EPS) 2015 dx (www.ivl.se/eps).*
Waste production	*Total waste disposed to landfills (tonne)*	***Change in health and well-being of local communities***	*Societal costs of waste disposal to landfills calculated based on an EC study, "A Study on the Economic Valuation of Environmental Externalities from Landfill Disposal and Incineration of Waste" (2000), using the worst-case scenario.*
Water withdrawal	*Total water withdrawal (m^3)*	***Decrease in water availability for community use***	*Proxy elaborated by FEEM (Fondazione Eni Enrico Mattei) based on DALY calculation for regions from the AWARE Model and on Brent (2011). An average value calculated is 0.2628 €/m^3.*
Land occupation	*Total area of Saipem's main permanent sites (million m^2)*	***Damage to biodiversity due to the use of soil***	*External cost associated with an Ecosystem Damage Potential (EDP). The monetary value is calculated by use of the ReCiPe Methodology, as average value for land use in the EU28 ref. Handbook Environmental Prices 2017.*
Spills	*Total volume of spills (tonne)*	***Damage to biodiversity and ecosystem services due to pollution of water/soil***	*External cost of damage to ecosystems related to oil spills. Proxy elaborated by FEEM (Fondazione Eni Enrico Mattei), based on Kontovas (2010) analysis, extended to new IOPCF data. Calculated as Total Cost $=37,154*Volume^{0.78}.*

SOCIAL AND ENVIRONMENTAL IMPACTS ANALYSIS

The social and environmental impacts were selected based on a combination of elements including their materiality for Saipem's business activities, the availability of reliable methods and data, and the feasibility of a monetary quantification.

Definition of the Boundaries
The boundaries of the model have been revised, considering the value of the inputs directly generated by Saipem, which are under the company responsibility and management, therefore excluding the impacts generated along the supply chain. In this manner, the boundary of the social inputs was aligned to those of the environmental inputs.
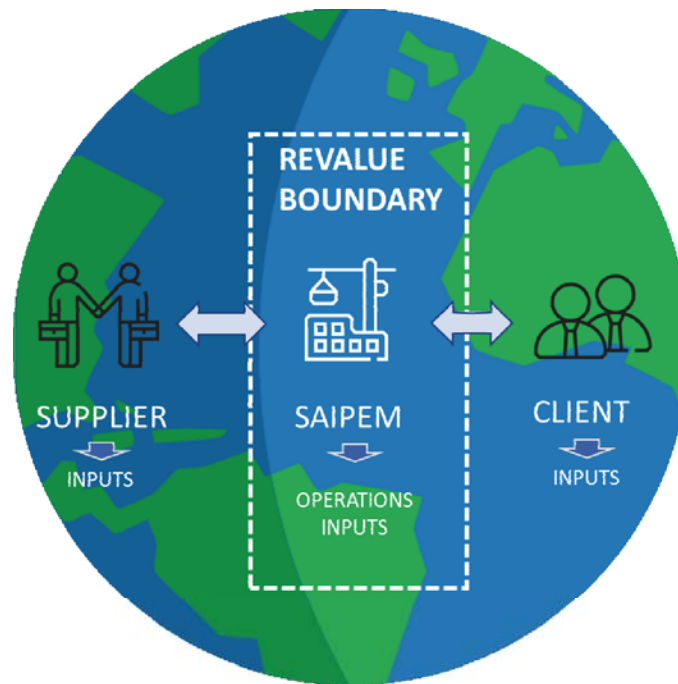
Social Impact Value

Saipem creates value in the areas where operates through social impact drivers such as the salaries paid to the local personnel and the taxes paid to the national governments. Saipem social value creation is also related to the company investments in competence and skill development of employees which, consequently, may lead to their future career evolution and salary increase.

The negative social impact measured is related to injuries at work of employees (including subcontractors' employees).

SAIPEM OPERATIONS MAIN SOCIAL INPUTS (impact drivers)	Stakeholders analysed	MAIN OUTPUTS (RESULTS OF INPUT)	Impacted Stakeholders	MEASUREMENT OF SOCIAL IMPACTS (€)
Employment of local personnel	Local employees	Local jobs creation Safety injuries to personnel	Local employees	(+) Change in well-being due to safety accidents (−) Improvement of material living standard
Taxes paid locally	National authority	Increased purchase power of government	National government	(+) Increase in public investments
Employee training	Local employees	Increased skills	Local employees	(+) Improved employability

Environmental Impact Value

Saipem is aware that all its activities may potentially have an impact on the environment. For this reason, Saipem applies a constant commitment to environmental protection through implementation of environmental programmes and initiatives, and a continuous monitoring of its impacts on the environment. The environmental programmes and initiatives implemented in Saipem, at Group and projects level, to mitigate the environmental impacts are described in the "**Sustainability Report**" and the "**Consolidated Non-Financial Statement**".

Among the Saipem environmental priorities, there is the reduction of greenhouse gas emissions through energy efficiency initiatives. "**Transitioning toward Net-Zero**" section of the "2022 Sustainability Report" describes the company "**Net-Zero Programme**", and the energy saving initiatives achieved.

SAIPEM OPERATIONS MAIN ENVIRONMENTAL INPUTS (impact drivers)	Stakeholders analysed	MAIN OUTPUTS (RESULTS OF INPUT)	Impacted Stakeholders	MEASUREMENT OF ENVIRONMENTAL IMPACTS (€)
GHG emissions	National government	Climate change	Local communities	Change in health and well-being associated with climate change (−)
Avoided GHG emissions due to initiatives & investments	National government	Contribute to fighting climate change	Local communities	(+) Avoided change in health and well-being associated with climate change
Other air emissions	Local communities	Air pollution	Local communities	Change in health and well-being due to pollution (−)
Waste production	National government	Waste disposal to landfill	Local communities	Change in health and well-being (−)
Water withdrawal	Local communities	Water depletion	Local communities	Decrease in water availability for community use (−)
Land occupation	Local communities	Use of soil	Local communities	Damage to biodiversity and ecosystem services (−)
Spills	Local communities	Pollution of water/soil	Local communities	Damage to biodiversity and ecosystem services (−)

REVALUE MODEL RESULTS 2022

The data used as Input in the REVALUE Model are information available in Saipem's internal management systems, collected as part of the sustainability reporting system (subject to external verification and assurance) on an annual basis. The data included in the analysis (Input data) refer to the 2022 reporting year and are compared with 2021 results.
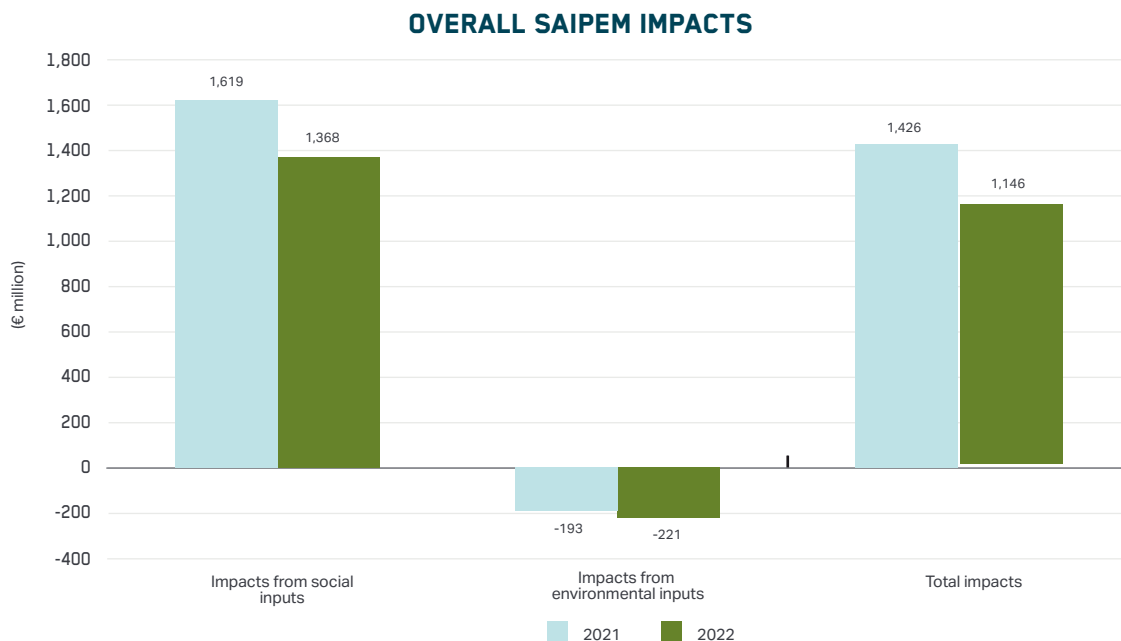
A total of 11 impacts were calculated, of which 4 are connected to social impact drivers and 7 to environmental impact drivers as described in the tables above. They were calculated by considering the impact drivers derived only from Saipem's direct inputs.
A revision and recalculation of the REVALUE 2021 was performed to align results to the new Model boundary definition, thus excluding the indirect social impacts generated in the supply chain and including the taxes paid impacts into the Model.

The overall net impacts of Saipem operations in 2022 is €1,146 million, 20% lower than 2021 results (€1,426 million). The positive impacts account for €1,377 million, while the negative impacts account for €231 million.

The social impacts account for €1,368 million, 16% lower than 2021 values (€1,619 million) being influenced by the reduction of the number of Saipem employees, and consequently of the impact in terms of material living standard associated with household consumption.

The environmental impacts account for a negative value of €221 million, with an increase of 14% compared to 2021 value (€193 million), being influenced by the increase in environmental inputs (an average of 13% of GHG and other emissions) associated with the increased volume of company operations.

OVERALL SAIPEM IMPACTS

IMPACTS FROM SOCIAL INPUTS

(€ million)

Increase material living standards direct employees	1,404 (2021)	1,226 (2022)
Changes in wellbeing due to Health & Safety incidents	-1.5 (2021)	-4 (2022)
Increased workers employability/ job opportunity	44 (2021)	27 (2022)
Increase in public investments	173 (2021)	120 (2022)

☐ 2021   ☐ 2022
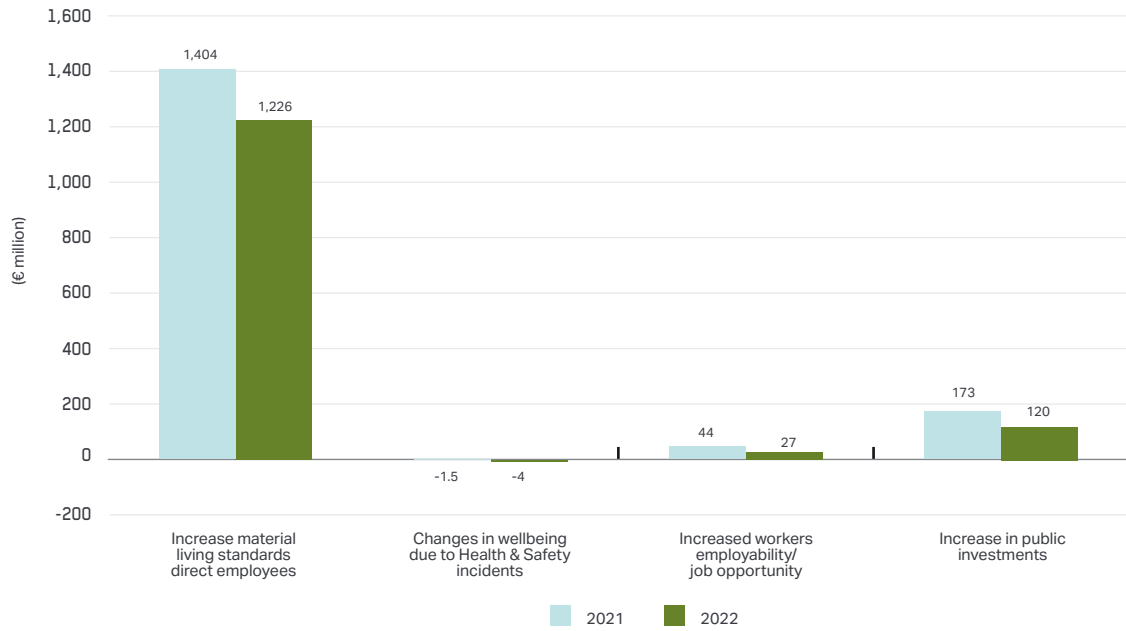
IMPACTS FROM ENVIRONMENTAL INPUTS

(€ million)

Societal costs associated with GHG emissions	-146 (2021)	-169 (2022)
Societal costs associated with avoided GHG emissions	5 (2021)	5 (2022)
Societal costs associated with waste to landfill	-5.45 (2021)	-4.79 (2022)
Societal costs due to decreased water availability	-0.74 (2021)	-0.75 (2022)
Societal costs associated with air pollution	-46 (2021)	-52 (2022)
Societal costs associated with soil occupation	-0.15 (2021)	-0.17 (2022)
Societal costs associated with spills	-0.08 (2021)	-0.16 (2022)

☐ 2021   ☐ 2022