# ANNUAL REPORT
# 2020

SAIPEM

## MISSION

To complete extraordinary projects by pushing beyond the frontiers of innovation, opening the way for our clients to the energy of the future.

## VALUES

Creative intelligence; care for people and planet; striving for trust; enhancement of cultural identities.

***Disclaimer***

*By their nature, forward-looking statements are subject to risk and uncertainty since they are dependent upon circumstances which should or are considered likely to occur in the future and are outside of the Group's control. These include, but are not limited to: exchange and interest rate fluctuations, commodity price volatility, credit and liquidity risks, HSE risks, the levels of capital expenditure in the oil industry and other sectors, political instability in areas where the Group operates, actions by competitors, success of commercial transactions, risks associated with the execution of projects (including ongoing investment projects), the COVID-19 pandemic (including its impacts on our business, our ongoing projects worldwide and our procurement chain), in addition to changes in stakeholders' expectations and other changes affecting business conditions. Actual results could therefore differ materially from the forward-looking statements. The financial reports contain in-depth analyses of some of the aforementioned risks. Forward-looking statements are to be considered in the context of the date of their release. Saipem SpA is under no obligation to review, update or correct them subsequently, except where this is a mandatory requirement to the applicable legislation.*

## COUNTRIES IN WHICH SAIPEM OPERATES

EUROPE
Albania, Austria, Bulgaria, Croatia, Cyprus, Denmark, France, Germany, Italy, Luxembourg, Netherlands, Norway, Poland, Portugal, Romania, Serbia, Spain, Sweden, Switzerland, Turkey, United Kingdom

AMERICAS
Argentina, Bolivia, Brazil, Canada, Chile, Colombia, Ecuador, Guyana, Mexico, Peru, United States, Venezuela

CIS
Azerbaijan, Georgia, Kazakhstan, Russia

AFRICA
Algeria, Angola, Congo, Egypt, Equatorial Guinea, Ghana, Libya, Mauritania, Morocco, Mozambique, Nigeria, Senegal, South Africa, Tunisia, Uganda

MIDDLE EAST
Iraq, Israele, Kuwait, Oman, Qatar, Saudi Arabia, United Arab Emirates

FAR EAST AND OCEANIA
Australia, Bangladesh, China, India, Indonesia, Malaysia, Pakistan, Singapore, Taiwan, Thailand, Vietnam

## BOARD OF DIRECTORS AND STATUTORY AUDITORS OF SAIPEM SpA

BOARD OF DIRECTORS[1]
Chairman
Francesco Caio

Chief Executive Officer (CEO)
Stefano Cao

Directors
Maria Elena Cappello, Claudia Carloni, Paolo Fumagalli, Federico Ferro-Luzzi, Ines Mazzilli, Alessandra Ferone[3], Paul Schapira

BOARD OF STATUTORY AUDITORS[2]
Chairman
Giovanni Fiori

Statutory Auditors
Giulia De Martino
Norberto Rosini

Alternate Statutory Auditors
Francesca Michela Maurelli
Maria Francesca Talamonti

## INDEPENDENT AUDITORS

KPMG SpA[4]

*(1) Appointed by the Shareholders' Meeting on May 3, 2018, for 2018, 2019, and 2020 and in any case up to the date of the Shareholders' Meeting to approve the financial statements as at December 31, 2020.*
*(2) Appointed by the Shareholders' Meeting on April 29, 2020 for a three-year period and in any case up to the date of the Shareholders' Meeting to approve the financial statements as at December 31, 2022.*
*(3) Appointed by co-optation as Director by a resolution of the Board of Directors on February 5, 2020 following the resignation of Pierfrancesco Latini on December 23, 2019 and appointed as Director by the Shareholders' Meeting on April 29, 2020 until the expiry of the term of the current Board of Directors.*
*(4) The Shareholders' Meeting of May 3, 2018 resolved to appoint KPMG SpA as the independent auditors from 2019 to 2027.*

# ANNUAL REPORT 2020



**Ordinary Shareholders' Meeting of April 30, 2021**
Notice of the Shareholders' Meeting was published on the Company website and an excerpt was published in the daily newspaper Il Sole 24 Ore on March 19, 2021. Please note that the date, place, participation, voting and/or occurrence of the Shareholders' Meeting as indicated in the notice of meeting is subject to the provisions of current legislation or those issued by the competent Authorities vis-à-vis the COVID-19 emergency, as well as the fundamental principles safeguarding the health of shareholders, employees, representatives, and consultants of the Company. Any changes will be promptly communicated using the same methods used for the publication of the notice and/or through the information channels provided for by the legislation in force.
Owing to the COVID-19 health emergency and in compliance with Article106 of Law-Decree No. 18 dated March 17, 2020, and subsequent extensions, aimed at minimising travel and gatherings, attending and voting at the Shareholders' Meeting can only occur through the granting of a specific proxy to the designated representative (Avv. Dario Trevisan) as per the instructions given in the notice.

# LETTER TO THE SHAREHOLDERS

Dear Shareholders,

just over a year ago, we commented 2019 results with optimism, proudly stating that we had exceeded all the set targets and returning to a symbolic dividend. After only a few days, we were among the first companies to invite all our people to work remotely due to the outbreak of the COVID-19 pandemic that dramatically impacted all throughout 2020 and is plaguing the world even today.
Saipem's reaction to the pandemic was prompt and efficient, mainly due to the extensive experience in identifying effective solutions dealing with emergencies and being organisationally equipped to handle and communicate crises. Thanks to our adaptability to face the uncertainties in a dynamic context, we not only provided business continuity of operational activities, but we also implemented significant improvements to business processes thanks to digitalisation. We made it possible to accelerate our strategic focus on ecological transition and energy evolution, albeit slowdowns due to compliance with health and safety regulations imposed worldwide and related economic crisis.
With this in mind, Your company now offers solutions to tackle the climate change, reduction of carbon footprint, the evolution of energy paradigm and the need to develop sustainable mobility through the realisation of offshore green energy hubs, $CO_2$ capture and storage projects, infrastructures for the production, storage and use of hydrogen. We can take on these commitments immediately, thanks to our technologies, patents, and especially to the experience coming from the dozens of similar projects already carried out in these fields. Furthermore, leveraging on our credentials, we presented practical proposals within the recovery plans supported by the Next Generation EU.
At the time of the economic recovery, Saipem will be in a privileged position to compete as a key player for the award of new green and infrastructure projects.
Then, more and more, Saipem's profile is consolidated as a Global Solution Provider: a technology integrator capable of proposing solutions, more than services, realising complex projects in challenging contexts, accompanying clients on the journey to the energy change and leveraging on the ingenuity of passionate women and men, and on proven competences in engineering, construction, and project management.
Saipem's evolution process started in 2015 with the aim of diversifying and de-risking company's portfolio, revising and digitalising the processes, optimising structural costs, and increasing the operating autonomy of the divisions. This has continued in 2020, keeping the focus and attention on technology and innovation.
Innovation is part of Saipem's DNA and it is probably amongst the most important contributions to Your company's success over the past 60 years. This has allowed us to continuously improve the organisation and the offered services while creating value for our company.
All our appreciation goes to Saipem's women and men, for their passion, professionalism and constant commitment, without which Saipem could not have overcome this difficult year affected by the pandemic and characterised by deep ongoing transformations.

**2020 results**
Revenues in 2020 are of approximately €7.3 billion in line with the expected business scenario and adjusted EBITDA margin is of 8.4%.
The value of new contracts is €8,659 million (out of which 90% non-oil). Among them there are LNG and renewable offshore projects. Backlog at the end of 2020 stood at €22,400 million and it is confirmed wide, diversified, and increased compared with previous year. This does not include joint venture contracts for an additional €2,896 million.
The efforts made in previous years have permitted curbing of the net debt beyond the expectation. The net financial position pre-IFRS16 at the end of 2020 stood at €872 million, compared to €472 million at the end of 2019. The increment of €400 million is mainly due to projects awarded in 2019 and now coming into full operation, the slowdown of projects triggered by the pandemic effects, and the agreement with clients to postpone some activities. Net debt inclusive of IFRS 16 lease liabilities as of December 31, 2020 stood at €1,226 million (€1,082 million as of December 31, 2019).
Capital expenditure in 2020 amounted to €322 million (€336 million in 2019), inclusive of purchase of vessel Norce Endeavour (now called Saipem Endeavour) and mainly assets maintenance and upgrading.
Firm's balance sheet is solid with an ample liquidity over €2 billion.
Efficiency targets on the cost structure have been achieved for approximately €190 million, out of which €45 million structural, further to a significant capex reduction of around €280 million compared with the initial budget.

**FRANCESCO CAIO**
**CHAIRMAN**

**Business Sustainability**

Your company has always had a deep-rooted vocation to generate sustainable value for stakeholders by giving a key role to people, health and safety, skills, ability to attract new talents, development of local resources, and supply chain for the social and economic growth of local communities.

Continuous improvement of people's health and safety standards progressed, consistent with the purpose to make Saipem's way of working responsible and sustainable more than ever. The efficient management of the pandemic situation ensured full operativity in the offices and sites. Rigorous plans were put in place for offices, projects, and plants around the world with the health of people always at the forefront of priorities. Dissemination of safety culture has not ever stopped and the campaigns such as Life Saving Rules - LSRs have continued, through the most modern tools offered by digital technology.

In terms of overall performance in safety, the TRIFR - Total Recordable Injury Frequency Rate went from 0.54 in 2019 to 0.36 in 2020, recording a significant reduction. Notwithstanding those efforts and results, unfortunately two fatal accidents occurred in 2020 involving Saipem subcontractors' personnel in Thailand and Saudi Arabia. Adequate and in-depth investigations were carried out and specific corrective actions have been adopted to avoid a recurrence of such events.

Business ethics is an essential principle for Saipem, and this is the reason why Your company joined the UN Global Compact in 2018 and obtained the international certificate ISO 37001 "Anti-bribery Management Systems" amongst the first Italian firms: this is the result of a constant commitment and focus on continuous improvement.

Following the recommendation of the Task Force on Financial Reporting linked to climate change, in 2020 Saipem published the third annual report "Leading the Path to Energy Transition", which provides the stakeholders with information on technological development, GHG emission and on the scenario analyses, strategies, risks and opportunities linked to the climate change.

Again, this year, Saipem's sustainability strategies, programmes, objectives, and performances have been detailed in two documents: Sustainability Report 2020 "Ready for the transition - Enabling a green future" and "Consolidated Non-Financial Statement", a specific section of the Directors' Report, pursuant to Legislative Decree No. 254/2016. Both documents are subject to audit and have been prepared in accordance with the most advanced international standards.

This vision, founded on business sustainability, has improved the appreciation of Your company from financial stakeholders and international analysts, who have confirmed Saipem's inclusion among the industry leaders in sustainability indexes, such as the Dow Jones Sustainability Index and the FTSE4Good Index.

Saipem's commitment is aimed at development of distinctive technologies in the implementation of projects for customers, digitalisation of processes and operations, underwater robotics and carbon capture and sequestration to allow effective operations for rehabilitation and conversion of Italian industrial districts. Great attention is also dedicated to the development of more innovative technologies and solutions for exploitation of renewable sources, such as solar and floating offshore wind, tropospheric currents and obtainable energy from tides and wave motion. Saipem is furthermore strongly engaged in developing technologies for production and exploitation of hydrogen (blue and green) and in 2020 signed several agreements with important operators and partners in this promising sector.

**Market scenario**

2021 started in a context of uncertainty resulting from the persistence of the pandemic and the fears of its variants and the expectations associated with the discovery and rollout of vaccines.

Nevertheless, Your company is solid with a sizeable backlog, a robust financial structure and interesting business prospects in the traditional sectors and in those related to the energy transition, not to mention the important role Saipem intends to play for the projects planned within the European investments.

The business scenario for 2021 will still be influenced by the pandemic, especially in the first half of the year. For this reason, Your company is currently unable to provide a firm financial guidance. Volumes for the year are well supported by the sizeable backlog: project mix and operational progress enable Your company to expect an adjusted EBITDA for 2021 at a similar level to 2020.

New efficiency initiatives have been launched on structural costs for approximately €30 million in 2021. Capex in 2021 are expected around €450 million.

Beyond 2021, with the prosecution of the vaccination campaign, progress in execution of projects, further efficiencies, and resumption of commercial activities, return to growth of adjusted EBITDA and restart of net debt reduction path are expected.

**STEFANO CAO**
**CEO**

This scenario does not factor a further and possible material macroeconomic and business context deterioration as a consequence, for instance, of the intensification of the COVID-19 pandemic.
Saipem advances on its ESG path and commits to reduce greenhouse gas (GHG) emissions, scope 1 and 2, by 50% by 2035, a decisive step towards achieving a net-zero carbon emission profile in the future ("net-zero carbon").

April 7, 2021

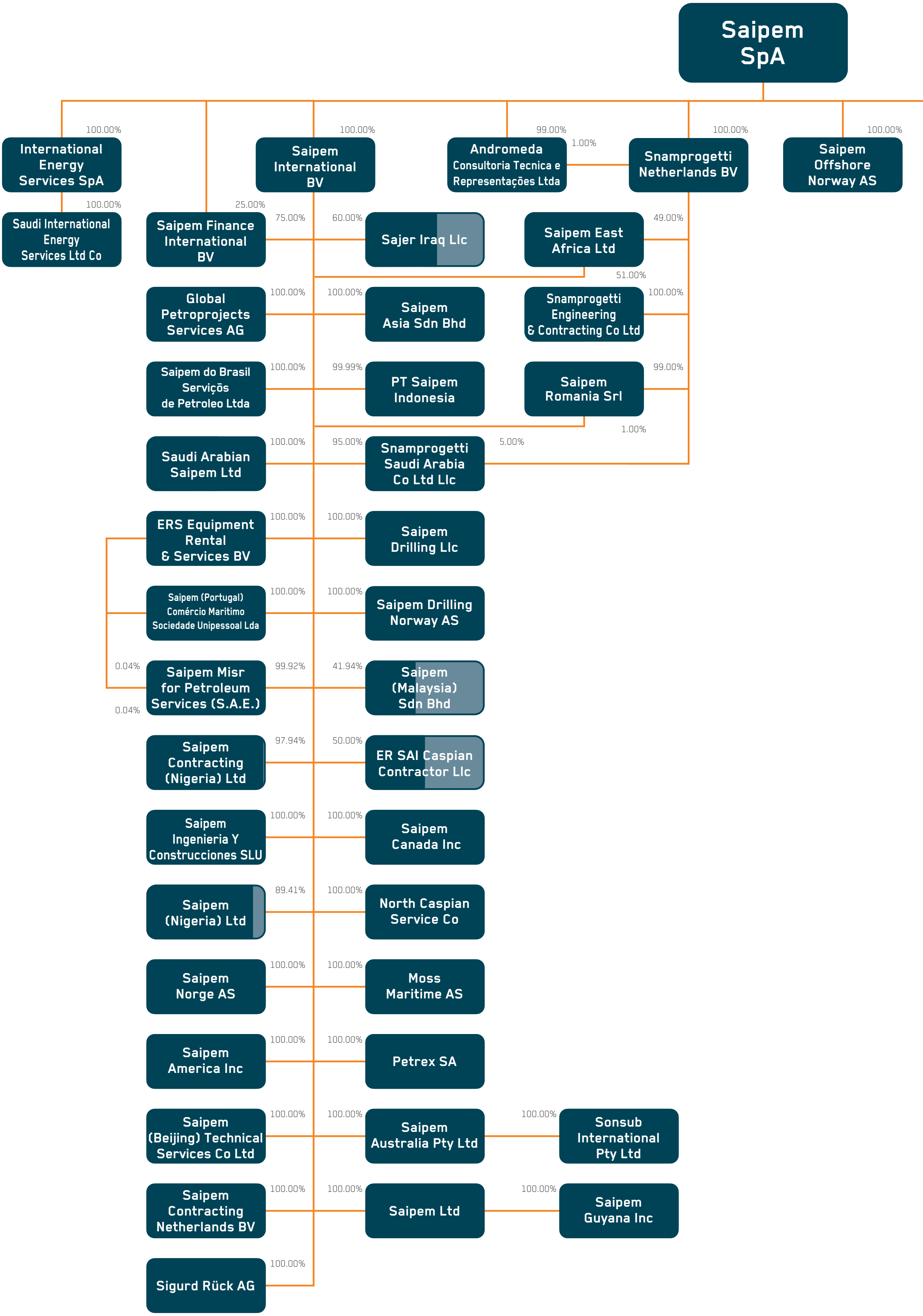
On behalf of the Board of Directors

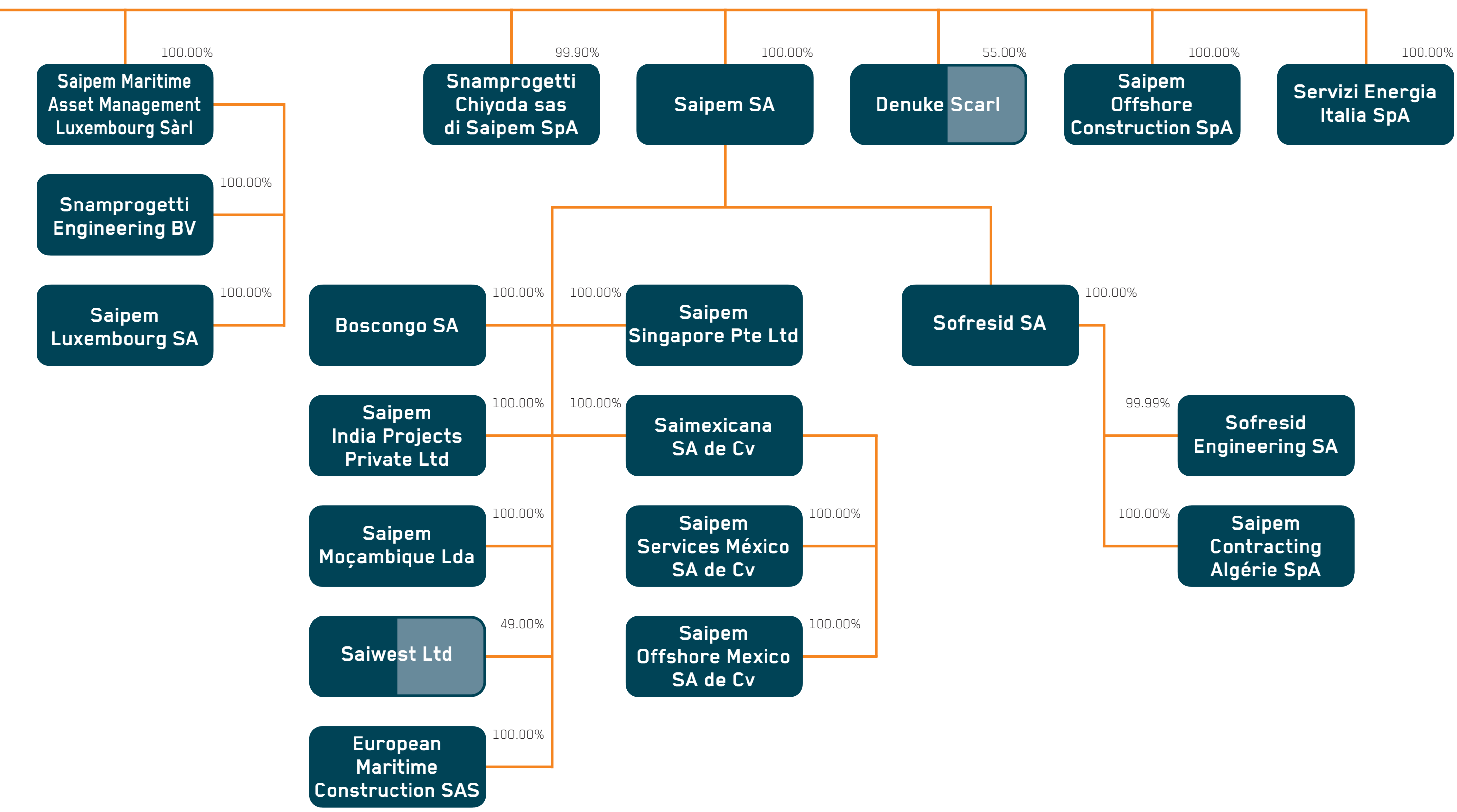
*The Chairman*
Francesco Caio

*The Chief Executive Officer (CEO)*
Stefano Cao

# STRUCTURE OF THE SAIPEM GROUP

(subsidiaries)


Saipem SpA
International Energy Services SpA
100.00%
Saudi International Energy Services Ltd Co
100.00%
Saipem Finance International BV
25.00%
75.00%
Saipem International BV
100.00%
Andromeda Consultoria Tecnica e Representações Ltda
99.00%
1.00%
Snamprogetti Netherlands BV
100.00%
Saipem Offshore Norway AS
100.00%
Sajer Iraq Llc
60.00%
Saipem East Africa Ltd
49.00%
51.00%
Global Petroprojects Services AG
100.00%
Saipem Asia Sdn Bhd
100.00%
Snamprogetti Engineering & Contracting Co Ltd
100.00%
Saipem do Brasil Serviçõs de Petroleo Ltda
100.00%
PT Saipem Indonesia
99.99%
Saipem Romania Srl
99.00%
1.00%
Saudi Arabian Saipem Ltd
100.00%
Snamprogetti Saudi Arabia Co Ltd Llc
95.00%
5.00%
ERS Equipment Rental & Services BV
100.00%
Saipem Drilling Llc
100.00%
Saipem (Portugal) Comércio Maritimo Sociedade Unipessoal Lda
100.00%
Saipem Drilling Norway AS
100.00%
Saipem Misr for Petroleum Services (S.A.E.)
0.04%
0.04%
99.92%
Saipem (Malaysia) Sdn Bhd
41.94%
Saipem Contracting (Nigeria) Ltd
97.94%
ER SAI Caspian Contractor Llc
50.00%
Saipem Ingenieria Y Construcciones SLU
100.00%
Saipem Canada Inc
100.00%
Saipem (Nigeria) Ltd
89.41%
North Caspian Service Co
100.00%
Saipem Norge AS
100.00%
Moss Maritime AS
100.00%
Saipem America Inc
100.00%
Petrex SA
100.00%
Saipem (Beijing) Technical Services Co Ltd
100.00%
Saipem Australia Pty Ltd
100.00%
Sonsub International Pty Ltd
100.00%
Saipem Contracting Netherlands BV
100.00%
Saipem Ltd
100.00%
Saipem Guyana Inc
100.00%
Sigurd Rück AG
100.00%




*The chart shows only subsidiaries*

# DIRECTORS' REPORT

# SAIPEM SpA SHARE PERFORMANCE

During 2020, a year characterised by high price volatility resulting from the combined effects of the economic crisis caused by COVID-19 and the fall in energy prices, the prices of Saipem ordinary shares with Borsa Italiana declined by 49%. This decline was more or less in line with the American industry index OSX, which declined by 43% over the same period.
2020 began on a positive note for the Saipem share, in the wake of the extraordinary performance recorded on stock lists across the world, with major indexes reaching record highs, supported first by the expansionary turn taken by the Federal Reserve and then by the trade agreement between the United States and China.
News of the award of new drilling contracts, combined with the extension of existing contracts for a total of $1.7 billion, shored up market performance for the first two weeks of the year, with the share reaching €4.49 on January 8, its highest price for the first half of the year.
The award of further contracts, combined with the relatively stable performance of the energy services sector, helped shore up performance of the share until the end of the February when the spread of the COVID-19 crisis, first in Europe and then globally, resulted in a sudden and unexpected economic and financial crisis. This was fuelled by the lockdown measures progressively introduced by the major governments and by a situation of general uncertainty.
The resulting drastic drop in demand and consumption across the board led to a marked and progressive deterioration in economic prospects and global commercial flows for 2020, with significant downward revisions of global GDP estimates, translating into a strong contraction in share prices and an abrupt rise in volatility and risk aversion.
Furthermore, following the failure of oil producers to reach an agreement at the OPEC meeting of March 5, and the consequent measures announced by Russia and Saudi Arabia regarding the production and price of the commodity, the Brent and WIT index prices dipped, recording a 30% fall on March 9, 2020, which had a domino effect on the prices of all operators in the sector. The Saipem share fell by 31% between March 6 and March 12, reaching €1.95 per share.
Share performance stabilised in April and May, thanks to the partial recovery of the energy sector and the more positive orientation of global stock markets, supported by the strongly expansive fiscal and monetary policies promoted by leading central banks and measures adopted by all major countries to support consumption, savings and liquidity. The Saipem share price only partially recovered, however, which was still feeling the effects of the uncertainty regarding the sector outlook.
News of the awarding of two important contracts – one for Train 7 at the LNG plant on Bonny Island in Nigeria, the other for an offshore wind farm in France – helped boost share performance, with the share price rising at the beginning of June to reach €2.63 on June 8, a 23% increase compared to the end of May.
After the Company announced its results for the first half, and the market provided indications regarding the outlook, there was a significant increase in the volume of short positions on Saipem shares, reflecting market uncertainty with regard to the trajectory of the Company's economic and financial performance in and beyond

## Key Stock Exchange indices and figures

| | | Dec. 31, 2016 | Dec. 31, 2017 | Dec. 31, 2018 | Dec. 31, 2019 | Dec. 31, 2020 |
|---|---|---|---|---|---|---|
| Share capital | (€) | 2,191,384,693 | 2,191,384,693 | 2,191,384,693 | 2,191,384,693 | 2,191,384,693 |
| Number of ordinary shares | | 10,109,668,270 | 1,010,966,841 | 1,010,966,841 | 1,010,966,841 | 1,010,966,841 |
| Number of savings shares | | 106,126 | 10,598 | 10,598 | 10,598 | 10,598 |
| Market capitalisation | (€ million) | 5,419 | 3,872 | 3,286 | 4,408 | 2,235 |
| Gross unitary dividend: | | | | | | |
| - ordinary shares | (€) | - | - | - | 0.01 | - |
| Price/earnings ratio per share: [1] | | | | | | |
| - ordinary shares | (€) | .. | .. | .. | 367.32 | - |
| Price/cash flow ratio per share: [1] | | | | | | |
| - ordinary shares | (€) | 16.88 | 9.49 | 9.69 | 6.28 | 16.31 |
| Adjusted price/earnings ratio per share: | | | | | | |
| - ordinary shares | (€) | 23.98 | 84.17 | 131.43 | 26.71 | - |
| Price/adjusted cash flow ratio per share: | | | | | | |
| - ordinary shares | (€) | 5.95 | 6.79 | 6.66 | 5.64 | 6.92 |

(1) Figures pertain to the consolidated financial statements.

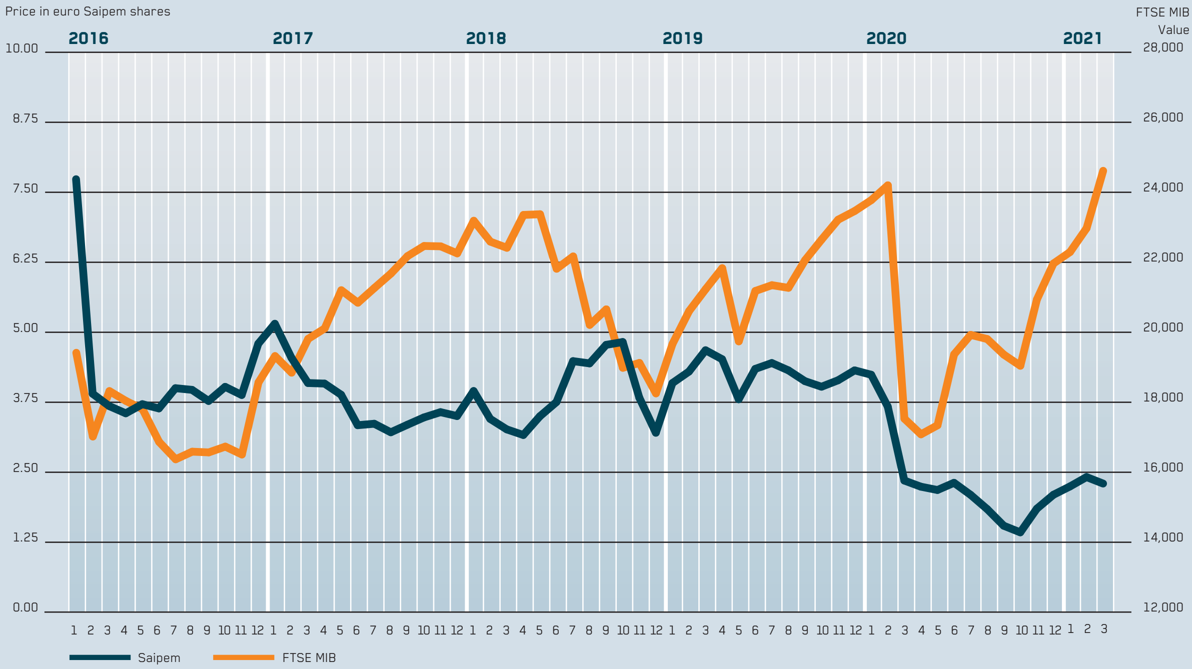
2020, this despite the fact that Saipem has a considerable work backlog. This new short pressure pushed the share price downward, until on September 25 it reached €1.36, its lowest price for the year.
In November, news confirming the effectiveness of COVID-19 vaccines (first the Pfizer vaccine and then the Moderna vaccine) triggered a rally in global markets, which was supported by expectations that the macroeconomic situation would recover very rapidly in 2021 and that corporate profits would recover as well. There was also a considerable turn toward cyclical sectors, including energy, because these sectors, given their exposure to the positive business conditions, were expected to be the main beneficiaries of the recovery. Against this background, Saipem's share price recovered strongly in November and December (+46%) after the Company announced its results for the first nine months, and this price recovery was driven by a substantial decline in short positions and by a more positive outlook on the part of investors. Saipem stock closed the year at a price of €2.21 per share.
Saipem's market capitalisation at the end of December was approximately €2.2 billion. In terms of share liquidity, shares traded during the year totalled around 3.4 billion (2 billion registered in the previous year). The average number of shares traded daily trading for the period totalled 13.3 million, compared to 8.1 million in the same period of the previous year. The value of shares traded amounted to €7.8 billion, compared to the €8.8 billion recorded in 2019.
At the end of December 2020, there were 10,598 savings shares, which were convertible at par with ordinary shares. Their value, affected by the very poor liquidity, recorded only minor fluctuations during the year, from a share price of €42.0 at the beginning of the period to €45.0 at the end of the period.

## Prices on the Milan Stock Exchange

| (€) | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|
| Ordinary shares: | | | | | |
| - maximum | 9.17 | 5.65 | 5.43 | 4.99 | 4.49 |
| - minimum | 3.02 | 2.96 | 3.10 | 3.22 | 1.36 |
| - average | 4.23 | 3.83 | 3.98 | 4.29 | 2.36 |
| - year end | 5.36 | 3.83 | 3.25 | 4.36 | 2.21 |
| Savings shares: | | | | | |
| - maximum | 62.00 | 60.00 | 41.80 | 44.20 | 45.00 |
| - minimum | 39.00 | 40.00 | 40.00 | 40.00 | 42.00 |
| - average | 57.17 | 46.13 | 40.27 | 41.23 | 43.37 |
| - year end | 54.10 | 40.00 | 40.00 | 42.00 | 45.00 |

The figures have been restated following the reverse stock split and the share capital increase.

SAIPEM AND FTSE MIB - AVERAGE MONTHLY PRICES JANUARY 2016-MARCH 2021



# OPERATING REVIEW

## Organisational structure

Saipem is a leading group in the areas of engineering, procurement and construction of large-scale projects in the energy and infrastructure industries. Saipem is divided into five business divisions: Offshore Engineering & Construction, Onshore Engineering & Construction, Offshore Drilling, Onshore Drilling and XSIGHT. The process of divisionalisation, which concluded in December 2018, gave the divisions full autonomy, specifically with regard to sales, project execution, technology and Research and Development, business strategies, partnerships, etc.
The Company is continuing to pursue the following strategy:

- the Offshore Engineering & Construction Division has the objective to maintain and strengthen the leadership position in the offshore operations area, also through investments towards sustainability and energy transition;
- the Onshore Engineering & Construction Division, through a large turnaround project, started a strategic repositioning of the projects portfolio focusing on midstream e downstream. The turnaround will continue with the aim of further increasing the technological content and weight of the projects in the area of sustainability, energy transition and decarbonisation of the sectors with the highers carbon footprint;
- for both Onshore and Offshore Drilling, efforts toward increasing efficiency will continue and strategic options will be assessed with the goal of maximising value for the individual businesses and researching new opportunities adjacent to traditional operations in synergy with the Engineering & Construction Division.

The Offshore Engineering & Construction Division is a leader in offshore construction, strongly oriented towards operations in remote areas and deep water. It provides support to clients from the earliest phases of a project and throughout the entire development process. It offers a wide range of products and services, including the design, construction and installation of platforms, pipelines, undersea fields and MMO (Maintenance, Modification and Operation), and decommissioning, with the addition of offshore windfarm development and the integration of energy transition projects.
The Onshore Engineering & Construction Division designs and builds onshore project in the LNG and regasification, refining, petrochemical, fertilizers, pipelines, gas and oil processing stations, floaters, renewables, biotechnologies, $CO_2$ capture, transportation and storage and hydrogen production and transportation; it provides a full range of engineering integrated services, procurement, project management and construction, mostly for the energy industry markets and the sectors of hard-to abate and large public infrastructures.
The Offshore and Onshore Drilling Divisions are international contractors, offering offshore and onshore drilling services with all types of rigs in every geographic area.
The XSIGHT Division is a Saipem Group start-up. It provides state of the art, high value and highly innovative services to the entire energy industry, including renewables and green energy. The XSIGHT Division works to improve the efficiency of engineering services through simplified processes and innovative digitalization models. In addition, it offers a wide range of services: financial development, consulting, stakeholder and risk management. The results of the XSIGHT Division are included in the Onshore Engineering & Construction Division because the numbers still do not warrant separate disclosure, so they are not disclosed to the market separately.

## Market conditions

2020 was heavily impacted by the COVID-19 pandemic, which first came to light at the beginning of the year. The measures adopted to date to contain infection throughout several countries have triggered a strong drop in the global demand and consumption, have brought air and rail travel to a virtual stand-still and had a major impact on the manufacturing levels in numerous industrial sectors held as non-essential. Despite the strong fiscal policies adopted by the major world governments to support national economies, and the central banks' efforts to provide a liquidity injection to limit systemic financial risks, the global economy is expected to shrink by approximately 4% in 2020 from the previous year, compared to pre-COVID estimates of +3% for the same period.
The energy sector is among the worst affected globally, due to the fall in demand for energy and in oil and gas in particular. In addition to that, the major oil producing countries failed to reach an agreement at the beginning of this year on production levels, which adversely impacted the supply and demand situation further, bringing the Brent crude price for April under $20 per barrel. The agreement that was then reached reflected the alliance between OPEC countries and Russia during the crisis and meant it was possible to restore the situation to a certain degree, bringing the price back up to around €50 a barrel at the end of the year. There was nonetheless a drop in the price of petrol over the mid-long term compared to the pre-COVID market.
In that context, the leading Oil Companies recorded a drop in Oil&Gas assets of more than €130 billion in the year. In order to mitigate the negative effects on cash flows, they announced a net cut in investments in oil and gas exploration and production, which in 2020 stands at around 30% less than pre-COVID levels. The negative short and mid-long term investment trend has had a major impact on the prospects for all traditional markets where

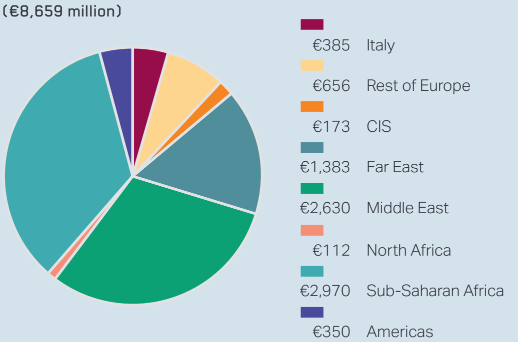
Saipem is present, especially in terms of upstream, with a marked delay in the award of numerous contracts and the total cancellation of projects by oil companies.
Scenarios entailing the mere stabilization of $CO_2$ emissions from current levels are becoming progressively less likely. Conversely, the vision of the gradual long-term reduction of $CO_2$ emissions is gaining more credibility on the basis of various factors: the widespread awareness amongst broader sections of the world's population of the climate emergency, a focus by investors (increasingly aware of ESG issues), technological progress (which makes some energy sources or carriers increasingly competitive), as well as increasingly clearer and concise policies and commitments by the world's major economies (in particular the European Union, China and, more recently, the United States).
In order to put the commitments and declarations announced by the various governments in relation to climate-alternating emissions into practice, it will be necessary to negotiate binding regulations for the majority of countries and economic actors, establishing a sustainable balance between the legitimate aspirations for the well-being of emerging countries and complex global trade regulations. Although the hurdles are high and many, the world seems to be on a long-term path to gradually reducing energy consumption, striving for the more efficient use of energy and achieving the right mix of energy sources.
Given the context, the dynamics of energy transition seem to favour gas over other fossil fuels, a greater reliance on renewable sources in the world energy mix and the use of technologies aimed at decarbonising emissions from fossil sources (CCUS to be applied to numerous industrial activities) or the reduction of $CO_2$ emissions into the environment (for example through the use of hydrogen for transportation).

## New contracts and backlog

New contracts awarded to the Saipem Group during 2020 amounted to €8,659 million (€17,633 million in 2019, a year marked by the acquisition of large projects).
40% of all contracts awarded were in the Offshore Engineering & Construction sector, 56% in the Onshore Engineering & Construction sector, 2% in the Offshore Drilling sector and 2% in the Onshore Drilling sector.
New contracts to be carried out abroad made up 96%. Contracts awarded by Eni Group companies were 5% of the overall figure. Orders awarded to Saipem SpA amounted to 41% of the total. Acquisitions involving non-consolidated companies accounted for €14 million; total acquisitions amounted to €8,673 million.

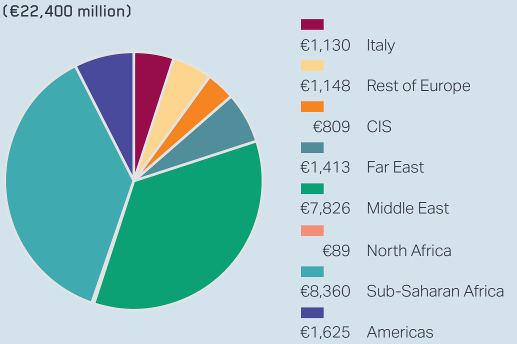
NEW CONTRACTS BY GEOGRAPHIC AREA

(€8,659 million)




ORDER BACKLOG BY GEOGRAPHIC AREA

(€22,400 million)



### Saipem Group - New contracts awarded during the year ended December 31

| (€ million) | 2019 | | 2020 | |
|---|---|---|---|---|
| | Amount | % | Amount | % |
| Saipem SpA | 1,567 | 9 | 3,509 | 41 |
| Group companies | 16,066 | 91 | 5,150 | 59 |
| **Total** | **17,633** | **100** | **8,659** | **100** |
| Offshore Engineering & Construction | 4,471 | 25 | 3,423 | 40 |
| Onshore Engineering & Construction | 10,849 | 62 | 4,884 | 56 |
| Offshore Drilling | 576 | 3 | 145 | 2 |
| Onshore Drilling | 1,737 | 10 | 207 | 2 |
| **Total** | **17,633** | **100** | **8,659** | **100** |
| Italy | 272 | 2 | 385 | 4 |
| Outside Italy | 17,361 | 98 | 8,274 | 96 |
| **Total** | **17,633** | **100** | **8,659** | **100** |
| Eni Group | 656 | 4 | 433 | 5 |
| Third parties | 16,977 | 96 | 8,226 | 95 |
| **Total** | **17,633** | **100** | **8,659** | **100** |

The order backlog as of December 31 is large and diverse, amounting to €22,400 million (€21,153 million as of December 31, 2019), of which €7,652 million to be executed in 2021 (€6,285 million in the Onshore Engineering & Construction, €14,009 million in the Offshore Engineering & Construction, €518 million in the Offshore Drilling and €1,588 million in the Onshore Drilling), and it has reached a new peak during this critical year.
The breakdown of the backlog by sector is as follows: 28% in the Offshore Engineering & Construction sector, 63% in the Onshore Engineering & Construction sector, 2% in Offshore Drilling and 7% in Onshore Drilling.
95% of orders were on behalf of overseas clients, while orders from Eni Group companies represented 2% of the overall backlog. The parent company Saipem SpA accounted for 23% of the total order backlog.
The order backlog including non-consolidated companies was €25,296 million (€24,778 million as of December 31, 2019).
As of December 31, 2020, the orders backlog not associated to the price of oil is approximately 73% of the total orders backlog of the Engineering & Construction Division.

### Saipem Group - Backlog as of December 31

| (€ million) | 2019 | | 2020 | |
|---|---|---|---|---|
| | Amount | % | Amount | % |
| Saipem SpA | 3,703 | 18 | 5,232 | 23 |
| Group companies | 17,450 | 82 | 17,168 | 77 |
| **Total** | **21,153** | **100** | **22,400** | **100** |
| Offshore Engineering & Construction | 5,611 | 27 | 6,285 | 28 |
| Onshore Engineering & Construction | 13,007 | 62 | 14,009 | 63 |
| Offshore Drilling | 737 | 3 | 518 | 2 |
| Onshore Drilling | 1,798 | 8 | 1,588 | 7 |
| **Total** | **21,153** | **100** | **22,400** | **100** |
| Italy | 1,105 | 5 | 1,130 | 5 |
| Outside Italy | 20,048 | 95 | 21,270 | 95 |
| **Total** | **21,153** | **100** | **22,400** | **100** |
| Eni Group | 418 | 2 | 406 | 2 |
| Third parties | 20,735 | 98 | 21,994 | 98 |
| **Total** | **21,153** | **100** | **22,400** | **100** |

## Capital expenditure

Despite the critical period, investments are in line with the previous year.
**Capital expenditure** in 2020 amounted to €322 million (€336 million in 2019) and mainly related to:
- €193 million in the Offshore Engineering & Construction sector: purchase of the lay barge vessel Norce Endeavour and maintenance and upgrading of the existing vessels;
- €17 million in the Onshore Engineering & Construction sector: purchase and maintenance of equipment;

- €60 million in the Offshore Drilling sector: extraordinary maintenance of the drillship Saipem 10000, in addition to maintenance and upgrading of the existing assets;
- €52 million for Onshore Drilling: upgrading of rigs for operations in Saudi Arabia and South America, as well as the maintenance and upgrading of the existing assets.

The following table provides a breakdown of capital expenditure in 2020:

## Capital expenditure

| (€ million) | 2019 | 2020 |
|---|---|---|
| Saipem SpA | 62 | 40 |
| Other Group companies | 274 | 282 |
| **Total** | **336** | **322** |
| Offshore Engineering & Construction | 144 | 193 |
| Onshore Engineering & Construction | 22 | 17 |
| Offshore Drilling | 86 | 60 |
| Onshore Drilling | 84 | 52 |
| **Total** | **336** | **322** |

Details of capital expenditure for the individual business units are provided in the following pages.

# OFFSHORE ENGINEERING & CONSTRUCTION

## General overview

The Offshore Engineering & Construction Division is a leading "Global Solution Provider" in the energy industry, with a focus on conventional projects and SURF, renewable energies and technological services for the energy industry. The division's core activities include the development of subsea infrastructures, pipelines, conventional fields, while it is also active in the renewables market as EPCI contractor for windfarms. We support our customers from the pre-FID (Final Investment Decision) phase through to capital expenditure development, extending our services to the Life of Field, including operational activities, maintenance or modification, all the way through to the decommissioning of plants.
Saipem pursues this objective through a set of best-in-class elements, among which engineering and project management expertise, a strong technological and innovative approach, an established local presence in strategic markets with fabrication yards in Nigeria, Angola, Brazil and Indonesia, a technologically advanced and comprehensive fleet sized to execute a wide span of projects in the most diverse operational and environmental conditions, a suite of products complementing our offer in the energy market.
The division's technology portfolio includes several alternative solutions, from subsea robotics to subsea processing, such as the new generation of resident and autonomous ROV platforms HyDrone, or the subsea water treatment and injections system SPRINGS, developed with Total and Veolia. In addition, the Offshore Engineering & Construction Division continuously endeavours to improve production processes, enhance material and welding technologies (e.g. Internal Plasma Welding for cladded pipes), as well as foster automation and digitalization. Saipem also implements its innovation and creative attitude in the development of breakthrough designs, such as Hexafloat, the novel floating wind farm substructure.
The division employs all of the above resources in the relentless search for the highest level of safety for people and the environment, in the interest of all its stakeholders.
The Offshore Engineering & Construction Division actively administers its assets portfolio, taking also in consideration flexible management models with the aim of tailoring its fleet to the needs of the strategic market pursued.
Saipem serves the subsea market through highly versatile vessels, such as the top class FDS and the FDS 2. The vessel FDs 2 is a 183-metre long, 32-metre wide mono-hull equipped with a cutting-edge class 3 Dynamic Positioning system (DP3) and a pipeline fabrication system. It 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. With its 1,000-tonne crane and two 750 and 500-tonne capstan winches, the FDS 2 is suited to even the most challenging deep-water projects. The other vessel, the FDS, is endowed with DP3 dynamic positioning, a 600-tonne lifting capacity crane and a pipelaying system capable of operating in water depths of over 2,000 metres.
The rigid and flexible pipeline reel-lay and subsea development vessel Saipem Constellation complements Saipem's capabilities in the subsea market. With its DP3 system, the Ice Class notation, the 800-tonne multilaying capabilities, the 3,000-tonne crane, the Saipem Constellation represents on one hand a unique "one-stop-shop" vessel to execute complex deep-water projects, and on the other hand it is endowed with the capabilities to serve the conventional market in a safe and reliable manner. Its lifting capacity means it is also suited to wind farm projects.
As far as the pipeline market is concerned, Saipem owns, amongst other assets, the Castorone, a 330-metre long and 39-metre wide mono-hull, designed to carry out the most demanding deep-water, large diameter pipelaying projects, with the necessary flexibility and productivity to be effective even in less complex projects. The vessel's distinctive features include a class 3 Dynamic Positioning system (DP3), the capacity to fabricate and lay triple joint pipes of up to 60" in diameter with a tensioning capacity of up to 750 tonnes, a highly automated firing line, the articulated stinger for both shallow and deep-water pipelaying through an advanced control system, and the capacity to operate in extreme environments.
Saipem's fleet of vessels also includes the Saipem 7000 semi-submersible, which is equipped with a class 3 DP system, has a 14,000-tonne lifting capacity and is capable of laying subsea pipelines in ultra-deep waters using the J-lay system, which can handle a suspended load of 1,450 tonnes during pipelay operations. Saipem 7000 represents a solid asset that has the capabilities to serve different markets, and is proving to be a reliable resource in executing diverse decommissioning and offshore windfarm projects.
In addition to the above, the division manages some strategical assets, both owned or leased, that allow an additional flexibility in the management of our portfolio of opportunities.
These include Saipem 3000, capable of laying flexible lines, umbilicals and mooring systems in deep waters up to 3,000 metres, and of installing structures of up to 2,200 tonnes.

This year, we are pleased to announce the replacement of our Castoro II vessel with Saipem Endeavour, a barge for lifting heavy loads and laying pipes (in S-lay mode), suitable for launching single- or double-joint pipes of up to 60” in diameter for shallow and deep-water operations, with a tensioning capacity of up to 260 tonnes, equipped with a floating launch ramp composed of three sections for deep-water operations, a mini ramp with adjustable structure for shallow-water operations, and a rotating crane with a 1,100 tonne capacity. Like the Castoro II, the Endeavour will represent a key asset in the traditional strategic market of the Middle East.
On the other hand, the lease contract for the vessel Normand Maximus was terminated in the second half of 2020.

## Market conditions

2020 was heavily marked by the COVID-19 health emergency, which had major repercussions on mobility, consumption and production on a global level. The energy sector was one of the most impacted world-wide due to the abrupt fall in energy demand (specifically oil), the consequent fall of the price of oil and the decline of investments in exploration and production operations by Oil Companies (approx. 30% less in 2020 than expected levels pre-COVID). The negative investment trend significantly affected the outlook of all Saipem’s traditional markets, specifically the drilling business, both in the short-term and in the long term compared to the pre-COVID scenarios. Energy transition dynamics seem to favour gas over other fossil fuels, with a continued focus on renewable energy sources in the global energy mix.
In any case, the seriousness of the situation depends on the various segments and geographical areas where Saipem operates and the timeframe considered. The traditional Middle Eastern shallow-water market is proving to be the most resilient. Saudi Arabia is proceeding, albeit with delays, with its major oil development plan (with Marjan, Zuluf and similar projects), while Qatar, despite a number of postponements, has not abandoned its goal of becoming the world’s largest gas exporter, while remaining firm in its commitment to proceed with offshore gas developments (such as the North Field) to support the growth in LNG capacity. The United Arab Emirates are also proceeding with their oil and gas developments, the latter aimed at satisfying national energy needs. A certain slackening has been observed in Europe as, on the one hand, clients’ liquidity issues will likely lead to the deferral of a number of decommissioning programmes and, on the other, the maturity of Northern European fields and the relatively small size of more recent discoveries pose a conundrum for clients, who must identify a development strategy with the lowest breakeven cost. Certain countries are already reacting, such as Norway, which has established a new fiscal regime for the Oil&Gas industry. Nevertheless, Europe must be regarded as a growing market as far as gas infrastructure is concerned: consider, for example, the plans for the Mediterranean and the contracts that we have recently been awarded to build gas pipelines in Northern Europe.
Africa is treading water. Some development projects in Mozambique have been postponed, as have the deep-water projects in West Africa. On the other hand, certain conventional projects are going ahead, such as those in Angola and Nigeria.
The Americas are also proving to be resilient. Unlike onshore shale (the worst hit by the crisis), offshore developments are continuing in the Gulf of Mexico, while Guyana continues its inexorable journey towards becoming a new oil province, as demonstrated by the fact that ExxonMobil activities are continuing in the country with minimal delays. The experience in Brazil is divided: Petrobras is moving forward with plans to develop its various pre-salt fields, one after another (consider, for example, the various phases of the Mero and Buzios projects), while other international companies in the Oil&Gas sector have postponed a number of projects.
Finally, activities in Asia-Pacific have been subject to various deferrals. This is a significant area for the Division, because various developments are connected to gas, and because, in order to maintain or expand existing onshore LNG capacities, gas transport infrastructures will need to be developed. These include the Scarborough gas pipeline, in relation to which projects have been postponed, but are expected to be carried out in the mid-term.
Putting aside oil and gas, the renewable energies market, including the offshore wind sector, is regarded as a less risky, more attractive segment, where investors can channel their resources. Even traditional oil companies are increasingly appearing in this market sector, reconfiguring their asset portfolios towards greener energy sources. As a result, the offshore wind sector has not suffered the immediate effects of the crisis and developments in Northern Europe (including France) and Asia-Pacific have continued with the same degree of intensity and conviction, albeit in certain cases affected by some disruptions in the supply chain. In those regions, as well as in emerging regions (including the United States), we have witnessed the renewed and strengthened ambition of countries wishing to maintain or increase their capacity targets. As a result, even in a year as complicated as 2020 has proven to be, the sector has taken action to address the situation, with the announcement of new technological developments and new partnerships, as well as strategic moves to enter or achieve a competitive advantage in certain emerging regions, such as Asia-Pacific, including the Far East and the United States.

## Capital expenditure

In the Offshore Engineering & Construction Division, investments made in 2020 were mainly attributable to the purchase of the new naval vessel Norce Endeavour (now Saipem Endeavour), as well as the maintenance and upgrading of existing assets.

## New contracts

The most significant awards in 2020 include:
- for Qatargas, in Qatar, an EPCO contract which will entail the installation of pipes, a platform and related plants and support in the strategic North Field Production Sustainability Offshore Project ("NFPS") area in Qatar, with the ultimate aim of increasing gas production to 110 million tons per year. Launch and lifting operations will be performed by the leased vessel DE-HE. The contract announced in February 2021, is included in the backlog as of December 31, 2020;
- for Petrobras, in Brazil, a contract for the project of the pre-salt field of Búzios. The project includes the engineering, procurement, construction and installation of the Steel Lazy Wave Risers and relative flowlines between all the wells and one FPSO unit;
- for Gaz System SA and Energinet.dk, co-financed by the European Union, a contract for the transport and installation of a gas pipeline between Denmark and Poland in the Baltic Sea; in particular, the contract includes the creation of a concrete-coated gas pipeline to be installed by Saipem vessels set up to use the S-lay method. The contract also covers microtunneling activities and civil works in Denmark and Poland, rock demolishing and pre- and post-lay excavation and backfilling;
- on behalf of EDF Renewables, Enbridge Inc and wpd Offshore, in France, as a joint venture with Bouygues Travaux Publics and Boskalis Fécamp, a contract for the engineering, construction and installation of 71 gravity base structures (GBS) in concrete as the basis for the Fécamp offshore wind farm;
- for Saudi Aramco, in Saudi Arabia, an EPCI contract (LTA-53), as part of the Long Term Agreement in force with the client, with effect until 2021. The scope of work includes the design, engineering, procurement, construction and offshore installation of a carbon steel pipeline as part of the existing network in the Ju'aymah area, and improvements to the relevant platform;
- for Qatar Petroleum, in Qatar, a contract for the fifth development phase of the Idd El-Shargi North Dome field. The scope of works includes the engineering, procurement, construction and installation of a topside, subsea pipelines and additional works for the modification and connection of existing infrastructures;
- for Eni Angola, in West Africa, a contract relating to developments in the Cabaça field and the Agogo preliminary phase 1. The scope of work includes the EPCI of risers, flowlines and jumpers, and the installation of a subsea production system (SPS) in deep waters between 400 and 600 metres, to be carried out using the Saipem FDS and Saipem 3000 vessels;
- for Noble Energy, in Equatorial Guinea, a contract for the installation of an offshore gas pipeline connecting the Alen platform to Punta Europa on the coast;
- for Seaway 7, in Scotland, a contract for the installation of 114 foundations and an equivalent number of turbines using the S7000 in the Seagreen offshore wind farm;
- for Dogger Bank Offshore Wind Farms, a joint venture between Equinor and SSE Renewables, in the United Kingdom, a contract for the transport and installation of two HVDC (High Voltage Direct Current) transformer platforms at the offshore wind farm for the first two phases of the Dogger Bank project: Dogger Bank A and Dogger Bank B;
- for EnQuest Heather Ltd, in the United Kingdom, a contract for the decommissioning of existing infrastructures in the Thistle field in the North Sea, using Saipem 7000;
- for Ailes Marines, part of the Iberdrola group, in France, a contract for the transport and installation of the jacket and topside of the substation for the offshore wind farm of St-Brieuc, using Saipem 7000;
- other smaller contracts awarded relate to two offshore transport and installation contracts in the Middle East and the Gulf of Mexico.

## Work performed

The biggest and most important projects under way or completed during 2020 were as follows. In general, progress on the contracts described below has been slowed down by the COVID-19 emergency. This is as a result of the containment measures – such as reduced numbers of personnel at the operating sites and isolation of people in the event of a positive test result – and due to flights being grounded, preventing the planned mobilisation and normal shift scheduling of operating personnel. Despite this, no ongoing contracts were subject to a full suspension of works, and activities continued with the adoption of the measures required to deal with the pandemic and the containment protocols agreed upon with clients and/or local authorities.

In Saudi Arabia,
- for Saudi Aramco:
  - engineering and procurement activities continue and fabrication is in progress for the **Berri (LTA-34)** and **Marjan (LTA-35)** project, which include engineering, procurement, construction and installation for new platforms, new wellhead platform decks, associated trunk line to shore, subsea pipelines and cables. The related offshore installation works will begin in the second half of 2021;
  - engineering and procurement activities are in progress for the EPCI of **Berri Downstream (LTA-43)** project, which includes engineering, procurement, construction and installation of subsea and onshore pipelines. The offshore installation works will be done in combination with those planned for the projects LTA-34 and LTA-35;

- engineering and procurement activities are under way for the EPCI **Enhance Piping Network Ju'aymah NGLF (LTA-53)** project, which involves the design, engineering, construction and installation of a pipeline on the network already present in the Ju'aymah area. The related offshore installation works are expected to take place in the second half of 2021.

Also in Saudi Arabia, for Al Khafji Joint Operations (KJO), engineering and procurement activities are nearing completion, for the **Laying of New Hout Crude** contract, which includes the engineering, procurement, construction, installation and start-up phases of a new pipeline for the transportation of crude oil. The installation phase is still contingent on obtaining certain environmental permits.

In Qatar, for Barzan, offshore installation activities have been completed for the **Barzan Novated Items & Pipeline** contract, which included the engineering, procurement, construction and installation phases relating to two export and interconnection pipelines, connecting elements between pipelines and various subsea structures. The main installation vessel has been demobilised. Following damage to one of the pipelines, engineering and procurement activities are under way for the replacement of the damaged pipeline section, which will take place in the second quarter of 2021.

In Indonesia, for BP Berau Ltd, the installation of offshore pipelines and platforms, rock dumping and commissioning have been completed for the **Tangguh LNG Expansion** project. Furthermore, engineering activities were carried out for certain supplementary works, with some offshore operations scheduled for early 2021.

Procurement activities and yard preparation continue at Karimun for the fabrication of 32 jackets for Jan De Null for the **Formosa II** offshore wind farm in Taiwan.

In Guyana, for ExxonMobil:

- activities have been completed for the **Liza Phase 1** project, which included the engineering, procurement, fabrication and installation of risers, flowlines, related structures and connections to develop the field located off the coast of Guyana at a depth of 1,800 metres;
- pipelay and installation activities are progressing for the **Liza Phase 2** project, which includes engineering, procurement, fabrication and installation of risers, umbilicals, manifolds, flowlines, well connections and related facilities for the development of the Liza field;
- engineering and procurement activities are progressing for the **Payara** project, which includes engineering, procurement, fabrication and installation of risers, umbilicals, manifolds, flowlines, well connections and related facilities for the development of the Liza field.

In the Gulf of Mexico, for Pemex, in the framework of the project for the development of the **Lakach** field, operations are still suspended by the client. The project encompasses services of engineering, procurement, construction and installation of the system connecting the offshore field with the onshore gas conditioning plant, which may now be envisaged for 2021-2022.

In Brazil, for Petrobras, engineering and procurement activities are progressing for the **Buzios 5** project, which includes engineering, procurement, fabrication and installation of Steel Lazy Wave Risers, umbilicals, manifolds, flowlines, well connections and related facilities for the development of the Buzios field. The offshore activities are expected to begin in late 2022.

In Egypt:

- for Petrobel, fabrication and installation activities have been completed for the **Zohr Rup** project, which included engineering, procurement, construction and installation work for the "Ramp Up to Plateau" phase of the Zohr field gas development project;
- for Pharaonic Petroleum engineering, procurement and laying activities have been completed for the EPCI **Atoll** and **Qattameya** project.

In West Africa:

- for Eni Ghana, activities have been completed for the **EPCI Takoradi** project, which included engineering, procurement and construction of infrastructures necessary for upgrading the capacity of service stations near the ports of Takoradi and Tema in Ghana;
- for British Petroleum, combined execution of both the **Tortue** (Marine & Civil and Facilities) contracts continues, which include engineering, procurement, fabrication, installation, hook up and commissioning of a breakwater, associated jetty and riser platform for the delivery of gas in co-development between Senegal and Mauritania expected for 2022;
- for Eni Angola, offshore installation was completed of the **Agogo-1** exploratory well via a new wet insulated rigid flowline. As regards the **Cabaça** project, engineering and procurement activities began, while offshore installation was postponed to the second quarter of 2021. The project in question involves the engineering, procurement, fabrication and installation of four risers and all associated ancillary equipment, rigid flowline, pipeline terminations (PLET), rigid spools, jumpers, umbilicals and manifolds;
- for Noble Energy EG Ltd, in Equatorial Guinea, the laying of the gas pipeline has been completed for the **Alen Gas Monetization** project, and the pipeline will be connected to the wellhead platform in early 2021.

In Azerbaijan,
> for BP:
  - work relating to the **Shah Deniz 2 (Call-off 007)** contract continued for the scope of work encompassing the transportation and installation of production systems and subsea facilities, the laying of optical fiber cables and production umbilicals, start-up, supply of the crew and operational management of the new vessel, with some installation activities envisaged for 2021;
  - offshore installation activities have been completed for the **CGLP (Call-off 001)** contract for a gas lift pipeline to the Chirag platform;
  - engineering and procurement activities are under way for the **ACE (Call-off 002)** project, involving the engineering, laying and pipeline installation activities, planned between late 2021 and the first quarter of 2022;
  - the engineering, procurement and installation activities for the jacket pine pile have been completed for the **ACE (Call-off 006)** project, which also includes the engineering, procurement and installation of spools and subsea structures, planned for 2021;

> for Total E&P, procurement and construction are nearing completion on the **Absheron** project, which includes engineering, procurement, construction and installation of pipelines and umbilical systems in the Caspian Sea, whereas installation has been postponed to early 2021;
> for Bosshelf, operations have started for the **Umid Babek** field development project, and the installation is scheduled for 2021.

In the North Sea:
> for ConocoPhilips, preparatory activities have been completed for removal for the **LOGGS** project, involving the dismantling of the topside and jackets of a platform;
> for PremierOil, offshore installation has been completed for the **Tolmount** project, which includes the engineering, procurement and installation of the 20” gas export pipeline and associated piggyback methanol line. The spool installation is pending completion, expected for early 2021;
> for Neart Na Gaoithe, offshore activities are in progress for the **NnG Offshore Windfarm** project, which includes engineering, procurement, fabrication and installation of 562 jackets for the development of a wind farm.

In the Baltic Sea, for Gaz System SA, engineering and procurement activities are ongoing for the **Baltic** project, which also includes the transport and installation of concrete-coated gas pipeline between Denmark and Poland. The offshore installation works are expected to start in mid-2021.

In France, for EDF Renewables, Enbridge Inc and wpd offshore, engineering and procurement activities have begun for the **Fécamp** project, which includes the engineering, construction and installation of 71 gravity base structures (GBS) in concrete as the basis for the relevant offshore wind farm.

In Italy, for Trans Adriatic Pipeline AG, as part of the **Trans Adriatic Pipeline** project, installation works have been concluded.

## Offshore fleet as of December 31, 2020

| | |
|---|---|
| **Saipem 7000** | Self-propelled, semi-submersible, dynamically positioned crane and pipelay vessel capable of lifting structures of up to 14,000 tonnes and J-laying pipelines at depths of up to 3,000 metres. |
| **Saipem Constellation** | Dynamically positioned vessel for reel-lay of rigid and flexible pipelines, down to ultra-deep water depths. It is equipped with a 3,000 tonnes crane and a laying tower (800 tonnes capacity) equipped with two tensioners each with 400 tonnes capacity. |
| **Saipem FDS** | Dynamically positioned vessel utilised for the development of deep-water fields at depths of over 2,000 metres. Capable of launching pipes of up to 22" in diameter in J-lay configuration, able to lay quadruple joint pipes (52-metre strings) with a holding capacity of up to 750 tonnes and a crane with lifting capacity of up to 600 tonnes. |
| **Saipem FDS 2** | Dynamically positioned vessel utilised for the development of deep-water fields; it has a J-lay tower with a holding capacity of up to 2,000 tonnes; capable of launching pipes with a maximum diameter of 36"; able to lay quadruple joint pipes (52-metre strings) at depths of up to 3,000 metres. Also capable of operating in S-lay mode with a crane with a lifting capacity of up to 1,000 tonnes. |
| **Castoro Sei** | Semi-submersible pipelay vessel with mooring system, capable of laying large diameter pipe at depths of up to 1,000 metres. |
| **Castorone** | Dynamically positioned pipe-laying vessel operating in S-lay mode with an S-lay stern stinger of over 120 metres composed of three sections for shallow and deep-water operation, a tensioning capacity of up to 750 tonnes, pipelay capability of up to 60 inches, onboard fabrication facilities for double and triple joints and pipe storage capacity in cargo holds. |
| **Saipem 3000** | Mono-hull, self-propelled D.P. derrick crane ship, capable of laying flexible pipes and umbilicals in deep waters (3,000 metres) and lifting heavy loads of up to 2,200 tonnes. |
| **Dehe** | Dynamically positioned (leased) vessel for laying pipes and lifting heavy loads of up to 5,000 tonnes, capable of deep water installations up to depths of 3,000 meters and laying pipes with a tensioning capacity of up to 600 tonnes in S-lay mode. |
| **Saipem Endeavour** | Saipem Endeavour Barge for lifting heavy loads and laying pipes (in S-lay mode), suitable for launching single- or double-joint pipes of up to 60" in diameter for shallow and deep-water operations, with a tensioning capacity of up to 260 tonnes, equipped with a floating launch ramp composed of three sections for deep-water operations, a mini ramp with adjustable structure for shallow-water operations, and a rotating crane with a 1,100 tonne capacity. |
| **Castoro 10** | Trench/pipelay barge capable of burying pipes of up to 60" diameter and of laying pipes in shallow waters. |
| **Castoro 12** | Pipelay barge capable of laying pipes of up to 40" diameter in ultra-shallow waters of a minimum depth of 1.4 metres. |
| **Castoro 16** | Post-trenching and back-filling barge for pipes of up to 40" diameter in ultra-shallow waters of a minimum depth of 1.4 metres. |
| **Ersai 1** | Heavy lifting barge equipped with two crawler cranes, capable of carrying out installations whilst grounded on the seabed and is capable of operating in S-lay mode. The lifting capacities of the two crawler cranes are 300 and 1,800 tonnes, respectively. |
| **Ersai 2** | Work barge equipped with a fixed crane capable of lifting structures of up to 200 tonnes. |
| **Ersai 3** | Support barge with storage space, workshop and offices for 50 people. |
| **Ersai 4** | Support barge with workshop and offices for 150 people. |
| **Bautino 1** | Shallow water post trenching and backfilling barge. |
| **Bautino 2 e 3** | Cargo barges for the execution of tie-ins and transportation of materials. |
| **Ersai 400** | Accommodation barge for up to 400 people, equipped with gas shelter in the event of an evacuation due to $H_2S$ leaks. |
| **Castoro XI** | Heavy-duty cargo barge. |
| **Castoro 14** | Cargo barge. |
| **S42** | Cargo barge, currently used for storing the J-lay tower of the Saipem 7000. |
| **S43** | Cargo barge. |
| **S44** | Launch cargo barge, for structures of up to 30,000 tonnes. |
| **S45** | Launch cargo barge, for structures of up to 20,000 tonnes. |
| **S46** | Cargo barge. |
| **S47** | Cargo barge. |
| **S 600** | Launch cargo barge, for structures of up to 30,000 tonnes. |

# ONSHORE ENGINEERING & CONSTRUCTION

## General overview

The Saipem Group's Onshore Engineering & Construction expertise is focused on the execution of large-scale projects with a high degree of complexity in terms of engineering, technology and operations, with a strong bias towards challenging projects in difficult environments and remote areas.
Saipem enjoys a worldwide leading position in the Onshore sector, providing a complete range of integrated basic and detailed engineering, procurement, project management and construction services, principally to the Oil&Gas, complex civil and marine infrastructure and environmental markets.
Aiming to grow, and adapting to the specific regional features of traditional markets, focusing on development segments of interest, as well as traditional segments and the gas and LNG segment, which has recently seen significant growth, the Onshore Engineering & Construction Division has developed an operational organisation covering six geographical areas (Europe/Russia/Caspian Sea, the Americas, North Africa/Middle East, Asia-Pacific, Saudi Arabia, Sub-Saharan Africa), for the upstream, midstream and downstream traditional segments, and two product lines (Infrastructure and New Energies) supported transversely by engineering, procurement and construction hubs and functions.
Over the year, development initiatives continued, aiming to transform and increase the efficiency of work processes through digitalisation.
Saipem pays close attention to the "carbon footprint" and to "circular economy and water/energy recovery" issues for all initiatives, even those still based on the exploitation of traditional energy sources.
The Group places great emphasis on maximising local content during the project execution phase in a large number of the areas in which it operates.

## Market conditions

2020 was characterised by the COVID-19 health emergency, with strong repercussions on mobility, consumption, production on a global level. The energy sector was one of the most impacted world-wide due to the abrupt fall in energy demand (specifically oil), the consequent fall of the price of oil and the decline of investments in exploration and production operations by Oil Companies (approx. 30% less in 2020 than expected levels pre-COVID). Investments downward trend impacted the outlook of all Saipem traditional markets, both in the medium and long term, compared to the pre-COVID outlook, with a generalised fall of new contract awards during the year, postponement of some initiatives from 2020 to the following years, as well as the cancellation of some projects. In any case, the seriousness of the situation depends on the various segments and geographical areas where Saipem operates and the timeframe considered. In general, the energy transition dynamics seem in any case to be more favourable on one side to gas as compared to other fossil fuel sources and on the other side to the use of technologies finalised to the fossil fuel sources decarbonisation (CCUS) and the reduction of $CO_2$ emissions (ex. through the use of hydrogen as energy vector).
The volume of contracts awarded in 2020 on the relevant market for the division largely relate to the LNG segment, followed by Fertilisers and Petrochemicals.
From a short-to-medium term perspective, the Downstream segment is proving resilient, important investments in Europe, Russia and Asia for Refineries and Petrochemicals going ahead, as well as investments in Fertilisers in Africa, the Middle East and Australia. The LNG market is seeing important initiatives in the Middle East, while a slowdown is expected in North America. A slight decline has been observed in the segments most sensitive to barrel price. In the Upstream segment, there has been a slowdown in terms of certain significant investments in the United Arab Emirates, Saudi Arabia, Asia and Central America.
The Infrastructure segment continues to show positive signs of large investments internationally both in traditional markets (Europe and North America) and in new markets (Egypt, Middle East, India, Russia and the Far East) although at lower levels as compared to the previous scenarios. With regard to renewables (solar) and green technologies (hydrogen, $CO_2$ and biofuels management and biochemistry) in general, the visibility of projects in Europe, North Africa and the Middle East is increasing.

## Capital expenditure

Capital expenditure in the first half of 2020 in the Onshore Engineering & Construction sector focused mainly on the acquisition of and maintenance of equipment, as well as the completion of the Saint-Felicién plant, in Canada, included in the $CO_2$ Solutions technology purchase plan finalised at the end of 2019.

## New contracts

The most significant contracts awarded to the Group in 2020 were:

- for Nigeria LNG Ltd, mainly a subsidiary of Shell and the Nigerian State company NNPC (Nigeria National Petroleum Corp), as a joint venture with Daewoo and Chiyoda Corp, an EPC contract for the engineering and construction of a LNG project, which consists in the construction of a LNG liquefaction train, as well as all the relevant utilities and port facilities for export;
- for Perdaman Chemical and Fertilizers Pty Ltd, in equal joint venture with Clough, an EPC contract for the implementation of a urea fertiliser plant, to be developed in the Burrup industrial area, in Australia;
- for Rete Ferroviaria Italiana, awarding of the second construction lot which entails completion of the civil works for the Brescia Est-Verona railway line section by the CEPAV Due Consortium, along with the construction of the railway superstructure, the electricity transmission system and technologies for the entire section;
- for Haifa Group, a contract for the construction of an ammonia plant at the Mishor Rotem site in Israel;
- for Ethydco, as a joint venture with Petrojet, an EPC contract for the creation of a synthetic rubber production unit at the existing petrochemical complex in Alexandria, in Egypt.

## Work performed

The biggest and most important projects under way or completed during 2020 were as follows. In general, progress on the contracts described below has been slowed down by the COVID-19 emergency. This is as a result of the containment measures – such as reduced numbers of personnel at the operating sites and isolation of people in the event of a positive test result – and due to flights being grounded, preventing the planned mobilisation and normal shift scheduling of operating personnel. Despite this, no ongoing contracts were subject to a full suspension of works, and activities continued with the adoption of the measures required to deal with the pandemic and the containment protocols agreed upon with clients and/or local authorities.

In Saudi Arabia,

- for Saudi Aramco:
  - the **Hawaiyah Gas Plant Expansion** project is under execution for the expansion of the Hawaiyah gas treatment plant located in the south-eastern part of the Arabian Peninsula;
  - commissioning is ongoing for both EPC contracts (Packages 1 & 2) relating to the **Jazan Integrated Gasification Combined Cycle** project for the generation of electricity. The Package 1 contract includes the gasification unit, the soot and ashes removal unit, the acid gas removal unit and the hydrogen recovery unit. The Package 2 contract includes two sulphur recovery units and the associated storage systems. The scope of work of both packages includes engineering, procurement, construction, pre-commissioning, and assistance to commissioning;
  - work has been completed for the **Complete Shedgum-Yanbu Pipeline Loop 4&5** project, which included detailed engineering, procurement of all materials, excluding the line pipe supplied by the client, construction, pre-commissioning and assistance with commissioning;
  - the mechanical completion was achieved for the **EPC Khurais** project, involving the extension of the onshore production centres in the fields of Khurais, Mazajili, Abu Jifan, Ain Dar and Shedgum;
  - the **South Gas Compression Plants Pipeline** project relating to the development of the gas plant Haradh (HdGP) located in the east of the country, which provides for the auditing of detailed engineering developed by the client, procurement of all materials, excluding the line pipe for coated carbon steel lines provided by the client, as well as construction, pre-commissioning and commissioning support, is under execution;
  - restoration works have been completed on the plants damaged by the air raid on September 14, 2019 in **Khurais**, with the plant restarted and production resumed by the client;
  - engineering, procurement and TCF (Temporary Construction Facilities) erection activities are under way for the **Marjan** project, an EPC contract for the implementation of "Package 10" of the development programme at the field of the same name, which includes gas treatment, sulphur recovery and tail gas treatment trains;
  - engineering and procurement activities are under way for the **Berri** project, an EPC contract to increase the capacity of the field of the same name, by setting up new facilities at Abu Ali and Khursaniyah. The TCF (Temporary Construction Facilities) are currently being built on the site.

Also in Saudi Arabia, for Petrorabigh (a joint venture between Saudi Aramco and Sumitomo Chemical), the mechanical works of the **Rabigh II** project related to the naphtha conversion plant and the complex for the production of aromatic compounds have been completed, and also the additional works, awarded during the second half of 2016, related to the Utilities and Offsite Facilities package, have been concluded. The plant is now in the commissioning phase.

In Kuwait:

- for Kuwait Oil Co (KOC), engineering and procurement activities are nearing completion and construction activities relating to the **Feed Pipelines for New Refinery** project are underway. The contract includes engineering, procurement, construction and commissioning activities related to the development of the new connection lines and related pumping station and measurement of the new Al Zour refinery located in south Kuwait;

- for Kuwait Integrated Petroleum Industries Co (KIPIC), in joint venture with Essar Projects Ltd, engineering and procurement activities for the **Al-Zour Refinery** project are practically complete and construction and completion activities are progressing. The contract encompasses design, procurement, construction, pre-commissioning and assistance during commissioning tests, start-up and checks on the performance of tanks, related road works, offices, pipelines, piping support frames, water works and control systems for the Al-Zour refinery. Mechanical completion has also been achieved for the **CP-030 Modifications** to the **MAA Refinery** project, which was a variation of the Al-Zour Refinery project and included tie-ins and modifications to existing plants, laying of pipelines as well as procurement and installation of new equipment.

In Iraq, for Exxon, prefabrication activities have been completed at the Rumailla base for the **West Qurna I** project, and site activities continue with the first mechanical installations. The project involves the execution of infield engineering, pre-fabrication and construction relating to some tie-ins to existing plants owned by Bassra Oil Co.

In Oman, for Duqm Refinery and Petrochemical Industries Co Llc, engineering and procurement activities continue, as well as the construction activities for the **Duqm Refinery package 3** project. The contract includes engineering, procurement, construction, commissioning and start-up of the tanks located about 80 kilometres south of Duqm, of the pipeline linking them to the refinery and the facilities for exporting the products to the port of Duqm.

In Chile, for the Caitan consortium (Mitsui-Tedagua), construction has been completed and commissioning is under way for the **Spence Growth Option** project for the development of a desalination plant and water pipelines in the north of Chile. The project included engineering, procurement, construction and commissioning activities and will provide desalinated water to the Spence mine, owned by the mining company BHP and located at 1,710 metres above sea level.

In Indonesia, for BP Berau Ltd, engineering, procurement, the logistics for the delivery of the materials and the construction of infrastructure have been completed. At the same time, mechanical works for plant units are ongoing for the **Tangguh LNG Expansion** project, which involves the construction of an onshore LNG plant, auxiliary services, an LNG jetty and the associated infrastructure.

In Thailand:

- for PTT LNG Co Ltd (PTTLNG), for the **Nong Fab LNG** project, the home office activities have been completed (engineering and procurement) in Taipei. The equipment and materials are being delivered to the site, the construction activities are under way, concentrated on underground works, pipe rack assembly, civil and mechanical works on the LNG storage tanks and the jetty superstructure works. The project includes the construction of a Regasification Terminal, including storage tanks and a jetty for importing LNG;
- for Thai Oil, in joint venture with Samsung Engineering and Petrofac International (leader), the **Clean Fuel** project is in progress, involving the construction and start-up of new units within the Sriracha refinery located around 130 kilometres from Bangkok, Thailand. The design and procurement activities are nearing completion. The manufacturing, delivery, piping prefabrication and module fabrication activities continue in the yards. The civil works, buildings, underground works and installation of metal structures are being implemented on site. The first modules have already been transported to and installed at the site.

In Nigeria:

- for Dangote Fertilizer, activities are ongoing for the **Dangote** project for the new ammonia and urea production complex. In particular, the engineering and procurement activities have been completed, the construction activities are almost completed and the plant commissioning activities are under way. The scope of work encompasses engineering, procurement, construction supervision and commissioning of two twin production streams and related utilities located at the Lekki Free Trade Zone, Lagos State;
- for Southern Swamp Associated Gas Solution (SSAGS), all construction activities were completed for the four sites for the **Southern Swamp** contract and the plant was commissioned. The contract provided for engineering, procurement, construction and commissioning of compression facilities at four sites and of new gas central production facilities at one of the sites, which will treat the routed associated gas;
- for Nigerian Agip Oil Co (NAOC), construction and commissioning activities were completed for the **OKPAI 2** project and the plant has been put into operation. The project involved engineering, procurement, construction and commissioning activities for a power plant consisting of two combined-cycle groups;
- for Nigeria LNG Ltd (NLNG), engineering activities and procurement services are under way for the initial stage of an EPC contract, **LNG Bonny train 7**, for the engineering and construction of a LNG plant, in joint venture with Daewoo and Chiyoda Corp. The project involves the construction of a natural gas liquefaction train, as well as all the necessary utilities and port facilities for export, for the expansion of the existing LNG plant at Finima on Bonny Island.

In Mozambique, for Total (which acquired Anadarko interests during 2019 for the **Mozambique LNG** project), the engineering and materials procurement activities are at an advanced stage and all subcontracts have been awarded for the preliminary works and the key activities for the final works. The site preparation activities have been completed in many areas, including the critical areas, and the plant construction activities have begun. The project consists of the realisation of a LNG plant made up of two LNG liquefaction trains, as well as all the relevant utilities, storage tanks and port facilities for export.

In Uganda, for Yaatra Africa (which is developing and managing the investment on behalf of the Ugandan government), a FEED is being completed for a grass roots refinery at Hoima with the corresponding pipeline of over 200 kilometres and remote storage near Kampala. The refinery is part of the largest Ugandan project which aims to make the most of recently discovered oilfields in Albertine Graben near Lake Albert.

In Kazakhstan:

- work has been completed for TengizChevrOil (TCO), for the **Future Growth Project/Wellhead Pressure Management**. The contract provided for fabrication up to the mechanical completion of complete pipe rack (PAR) modules destined for the Tengiz field;
- work has been completed for North Caspian Production Operations Co BV on the **Major Maintenance Services** project. The contract encompassed the provision of maintenance and services for offshore and onshore rigs.

In Turkey, for Star Refinery AS, Provisional Acceptance of the plant was obtained in the **Aegean Refinery** project and the post-delivery warranty period for the plant ended at the end of the year. The contract included engineering, procurement and construction of a new refinery with a marine terminal consisting of one import jetty and two export jetties.

In Serbia, for Infrastructure Development and Construction (IDC), the engineering, construction and pipelay activities have been completed for the **Transmission Gas Pipeline** project (Interconnector) Border of Bulgaria-Border of Hungary, while the field engineering works continue for the compressor station.

In Russia, for Gazpromneft, the engineering, procurement and site set-up activities are in progress for the creation of a **sulphur recovery unit** for the Moscow refinery.

In Italy:

- for Ital Gas Storage (IGS), engineering, procurement and construction activities have been completed for the **Natural Gas Storage Plant** EPC project, which included the development of natural gas storage plants in Cornegliano Laudense, in the province of Lodi, as well as engineering and procurement activities for a works variation (Water Separation);
- for Eni Refining & Marketing, activities have been completed for the **Tempa Rossa** project, agreeing on a reduction in the original scope at the request of the client; the project included the construction of the auxiliary systems and of two tanks for the storage of the crude oil coming from the Tempa Rossa field operated by Total;
- for Rete Ferroviaria Italiana as part of the **CEPAV 2 High-Speed** Brescia Est-Verona project, construction activities are in progress along the whole section. Four public contracts were awarded in the second half of the year through a European tender, including the main one relating to the mechanised excavation of the Lonato Tunnel. The excavation of the Lonato Tunnel began in November, using a tunnel boring machine (Tunnel Boring Machine).

## Floaters

The FPSO market remains stable in terms of volumes, despite the uncertain times, which have led to the postponement of a portion of the allocations expected for 2020 and 2021. Several feasibility studies, FEEDs and tenders for EPC contracts are currently underway, and the oil companies express their confidence in approving the final investment decisions (FID) by 2021.
The FLNG/FSRU market shows potential development for FLNG offshore and is still expanding for FSRU, technology requested by new LNG clients. In particular, Asia remains the main market for those types of units, but there are also small projects in the Mediterranean.
Saipem owns two FPSO vessels, they are: **Cidade de Vitoria**, a production storage, processing and offloading vessel (FPSO) with a production capacity of 100,000 barrels a day and the **Gimboa**, a production storage, processing and offloading vessel (FPSO) with a production capacity of 60,000 barrels a day.

## Work performed

The biggest and most important projects under way or completed during 2020 were as follows.

In Indonesia, for Eni East Sepinggan Ltd, the **Merakes Development** project is in progress, involving the extension of the production capacity of the FPU in the Jangkrik gas field. The engineering, procurement and module prefabrication activities at the Karimun Yard are practically complete, and the activities on board the FPU are under execution. The FPU production plant shutdown is expected in mid-January 2021, to allow the installation of the modules on the FPU, using the Saipem 3000 vessel, and their subsequent connection to the existing production plants. The works are expected to be completed by mid-April 2021.

In Russia:
- for Arctic LNG-2 Llc, in joint venture with RHI Russia BV (affiliated company of Renaissance Heavy Industries Llc), activities related to the **Arctic LNG 2 - GBS** project are ongoing for the completion of three liquefied natural gas plants that will be installed on reinforced concrete support and storage structures. The scope of the contract includes design, procurement, construction, transportation by sea and installation of three concrete support and storage structures. Construction will take place in Murmansk on a site made available by Novatek and then the structures will be transported and installed in Gydan, Russia;
- again for Arctic LNG2 Llc, in joint venture with Techinp and NIPI, participation continues in the **Arctic LNG 2 - Topsides** project, including the engineering, procurement and manufacturing of the topside modules of the LNG trains to be installed on three reinforced concrete support and storage structures (GBS).

In the United Arab Emirates, for Eni, the provision of the services for lay-up and preservation of the **FPSO Firenze** continues, pending the renewal works for the relocation of the unit in an oil field off the coast of Nigeria.

Finally, in Angola, for Total, the operations and maintenance services (O&M) of the FPSOs **Kaombo Norte** and **Kaombo Sul** continue, for a seven-year period, plus an additional eight optional years.

In the "Leased FPSO" segment, the following vessels carried out operations during 2020:
- the **FPSO Cidade de Vitoria** carried out operations for Petrobras as part of a fifteen-year contract, expiring at the end of 2022, on the second phase of development of the Golfinho field, situated off the coast of Brazil at a water depth of 1,400 metres;
- the **FPSO Gimboa** carried out operations on behalf of Sonangol P&P under a contract for the development of the Gimboa field, located in Block 4/05 offshore Angola, at a water depth of 700 metres.

# OFFSHORE DRILLING

## General overview

As of December 2020, the Saipem Offshore Drilling fleet consisted of twelve vessels, divided as follows: five ultra-deep-water units for operations at depths in excess of 3,300 feet (the drillships Saipem 10000 and Saipem 12000 and the semi-submersible drilling rigs Scarabeo 5, Scarabeo 8 and Scarabeo 9), five high specification jack-ups for operations at depths of up to 375 feet (Perro Negro 7, Perro Negro 8, Pioneer, Sea Lion 7 and Perro Negro 9), one standard jack-up for activities at depths of up to 150 feet (Perro Negro 4) and one barge tender rig (Saipem TAD), fully written down during the year. All these vessels are self-owned, with the exception of the Pioneer, Sea Lion 7 and Perro Negro 9 jack-ups, owned by third parties but managed by Saipem. The number does not consider the standard jack-ups Perro Negro 2 and Perro Negro 5; both vessels are intended to be decommissioned in accordance with the current (green recycling) regulations in 2021.
The exceptional circumstances in the year, arising from a significant drop in the oil price and the outbreak of the COVID-19 pandemic (as detailed in the following paragraph), have led to a change in the market scenario.
For these reasons, the semi-submersible Scarabeo 7, which was expected to potentially benefit from a gradual recovery in the pre-shock market scenario, was sold to third parties in December for decommissioning.
During the year, the Offshore Drilling fleet operated in Norway, Egypt (both in the Mediterranean and the Red Sea), Angola, Mozambique, Mexico and the Middle East.

## Market conditions

In keeping with the end of 2019, the year opened with a sense of moderate optimism regarding the potential for the market to recover in the medium term. The outlook changed drastically starting at the end of February, due to disputes among oil producing countries regarding the reduction of production shares followed by the outbreak of the COVID-19 pandemic soon thereafter. The energy sector was one of the most impacted world-wide due to the abrupt fall in energy demand (specifically oil), the consequent fall of the price of oil and the decline of investments in exploration and production operations by Oil Companies (approx. 30% less in 2020 than expected levels pre-COVID). This has resulted in many previously awarded contracts being cancelled, and activities being suspended and postponed to 2021.
In light of the market shocks mentioned above, drilling rig scrap activities have gained new momentum. Indeed, during the year, approximately 40 rigs, 6% of the world's entire supply, were definitively retired. When considering the scale of the increase in retirements, it should be noted that in 2020 twice the number of drilling rigs were retired from the market compared to 2019, similar to the numbers in 2016 (the year when the previous wave of market retirements began to be consistent); it should also be noted that the rigs retired definitively from the market included the ultra-deep water drillships delivered in 2010, 2011 and 2012, and therefore in the top end of the range.
Though lower than the previous year, the number of rigs being completed in the shipyards is still relatively significant: as of December, 65 new units were in production (39 jack ups, 8 semi-submersibles and 18 drillships), only 4 of which are known to be linked to a contract for their use following completion of the construction works.
The sudden and unexpected market decline affected generally all the primary drilling contractors. For some of them the financial situation became so serious that they had to resort to a financial restructuring.
The large number of new units under construction, the new increase in retirements combined with the need for restructuring felt by many contractors in order to tackle the unexpected market crisis, represent structural changes to the Offshore Drilling segment, which, as expected, may have a significant impact in the medium term.

## New contracts

In 2020, no significant new projects were awarded. The sudden change in the market scenario starting from the month of February led to the postponement and cancellation of significant target projects, greatly reducing the opportunities to acquire additional contracts.
The most important contracts acquired during the year include:
- for Petrobel, an extension until November 2021 of the contract for the Perro Negro 4 jack-up for activities in the Red Sea;
- for Eni, an extension until August 2023 of the contract for the Saipem 10000 drillship for activities worldwide.

## Capital expenditure

Investments made during 2020 concerned class reinstatement and work to ensure the compliance of vessels with international regulations and client requirements. Among the rigs subject to maintenance activities aimed at renewing the class certification there was in particular the Saipem 10000 drillship. The problems associated with the COVID-19 pandemic led to restrictions on travel and the movement of personnel involved in maintenance activities, as well as material and service supplies being postponed; consequently, the completion of class maintenance for Saipem 10000 was rescheduled for early 2021. During the year the preparation for Perro Negro 9 was also completed, and the jack-up was put into operation in October to replace Perro Negro 5.

## Work performed

In 2020, the entire Saipem Offshore Drilling fleet was affected by the handling of the aforementioned issues associated with the COVID-19 pandemic. A series of measures were put in place, including: emergency plans, reviewing shifts, pre-boarding testing and scheduling quarantine periods for operators in accordance with the regulations of the various countries where the rigs are used. These measures, which applied to all rigs, made it possible to ensure a substantial degree of business continuity, always prioritising health and safety. This is demonstrated by the fact that not a single positive case of COVID-19 was recorded on board the fleet.
In 2020, Saipem's offshore units drilled 72 wells (of which 43 workovers), totalling 15,805 metres. The fall in production volumes was affected by the changing scenario and the consequent choice by some clients to suspend drilling activities, as described in more detail below.
The fleet was used in the following way:

- ultra-deep water/deep water unit: the **Saipem 12000** drillship operated off the coast of Mozambique for Mozambique Rovuma Venture until approximately mid-April when, as a result of the effects of the market crisis and the need to reduce the volume of investments, the client put the rig into remunerated standby and postponed completion of the activities; during the last part of the year the preparation of the rig was started in view of the resumption of the operations anticipated for the beginning of 2021; under a multi-year contract with Eni, **Saipem 10000** continued its operations in Egypt until the beginning of March when the previously scheduled naval class renewal works began; due to the outbreak of the COVID-19 pandemic in the same period, the maintenance activities had to be redefined, with some of the works being postponed to early 2021; as with Saipem 12000, as a result of the effects of the market crisis and the need to reduce the volume of investments, the client put the rig into remunerated standby and postponed completion of the planned activities to 2021; the semi-submersible **Scarabeo 9** completed the operations as part of the project for GSP in Romania and in May has been stacked initially in Las Palmas in the Canary Islands and later in Cartagenas, awaiting new work; in April, the semi-submersible **Scarabeo 8** completed its activities for Wintershall in Norway; the rig was intended for a Var Energi project starting in July; but the market crisis forced the client to postpone the operations to the month of November; the semi-submersible **Scarabeo 5** has continued to operate in Angola for Eni;
- high specification jack-ups: the **Perro Negro 8** unit worked offshore in the Arab Emirates for ADNOC until November when the contract was cancelled in advance by the client; the rig was then stacked pending the acquisition of new works; **Perro Negro 7** continued to work for Aramco off the coast of Saudi Arabia; in the last quarter of the year, the rig was put into remunerated stand-by as part of the activity reduction plan launched by the client Aramco to tackle the market crisis; the **Pioneer** unit continued to operate for Eni in Mexico until June and was then put into remunerated stand-by until the end of October, when operational activities resumed; after starting operations in Saudi Arabia for Saudi Aramco in the first days of 2020, the **Sea Lion 7** unit continued to operate for the whole period; having completed the preparation works, the **Perro Negro 9** unit was put into operation to replace Perro Negro 5 in October for the Saudi Aramco contract;
- standard jack-ups: **Perro Negro 5** continued its activities in Saudi Arabia for Saudi Aramco until August to then, as mentioned previously, be replaced by Perro Negro 9; the rig was then stacked pending its sale for decommissioning according to the current (green recycling) regulations; **Perro Negro 4** has continued to operate in the Red Sea for Petrobel;
- other activities: the **Saipem TAD** tender assisted rig remained stacked; towards the end of the year it was moved to Cameroon to optimise stoppage costs, pending the acquisition of new contracts. The **Scarabeo 7** semi-submersible drilling rig was sold in December for decommissioning according to the green recycling principles; the **Perro Negro 2** jack-up, which continued to be stacked in the United Arab Emirates for the whole period, will be sold for decommissioning in 2021.

## Utilisation of vessels

The main vessel utilisation in 2020 was as follows:

| | | December 31, 2020 | |
|---|---|---|---|
| **Vessel** | (No. of days) | **under contract** | **idle** |
| Semi-submersible platform Scarabeo 5 | | 366 | - |
| Semi-submersible platform Scarabeo 7 | | - | 345 (3) |
| Semi-submersible platform Scarabeo 8 | | 151 | 215 (2) |
| Semi-submersible platform Scarabeo 9 | | 127 | 239 (2) |
| Drillship Saipem 10000 | | 279 | 87 (1) |
| Drillship Saipem 12000 | | 366 | - |
| Jack-up Perro Negro 2 | | - | 366 (2) |
| Jack-up Perro Negro 4 | | 366 | - |
| Jack-up Perro Negro 5 | | 218 | 148 (4) |
| Jack-up Perro Negro 7 | | 366 | - |
| Jack-up Perro Negro 8 | | 313 | 53 (2) |
| Jack-up Pioneer (*) | | 366 | - |
| Jack-up Sea Lion 7 (*) | | 358 | 8 (1) |
| Jack-up Perro Negro 9 (*) | | 92 | 274 (1) |
| Tender Assisted Drilling Barge | | - | 366 (2) |

(1) Days on which the vessel underwent class reinstatement works and/or preparation works.
(2) Days on which the vessel was idle and not under contract.
(3) Rig sold in December for decommissioning according to the current (green recycling) regulations.
(4) Rig replaced in the contract by Perro Negro 9 and intended for sale for decommissioning according to the current (green recycling) regulations.
(*) L eased vessels.

# ONSHORE DRILLING

## General overview

As of December 2020, the Onshore Drilling rig fleet was composed of 83 units. Moreover, the Onshore Drilling Division managed 3 units owned by third parties for the whole year or parts thereof. The areas where Saipem operated were Latin America (Peru, Bolivia, Colombia and Argentina), the Middle East (Saudi Arabia and Kuwait), Kazakhstan, Italy and Africa (Congo and Morocco).

## Market conditions

2020 was marked by the health emergency associated with the COVID-19 pandemic and the energy sector was one of the most affected industries globally due to the abrupt fall in energy demand (specifically oil), the consequent fall of the price of oil and the decline of investments in exploration and production operations by Oil Companies (approx. 30% less in 2020 than expected levels pre-COVID). The investment negative trend affected significantly the outlook of all Saipem traditional markets, and specifically the drilling business, both in the short-term and in the long term as compared to the pre-COVID scenarios. The delay in awarding new contracts and the slowdown of those already under way have led to numerous vessels sitting idle, and certain operators claiming force majeure.
In North America, an area already penalised by high average exploration and production costs, the drilling activities decreased compared to 2019 in terms of spending and active rigs, with a stronger fall in drilling activities recorded in terms of both vessel operations and daily rates.
In the remaining international market, the one in which Saipem operates, the overall activity in 2020 was clearly affected by the global economic slowdown. Investments declined across all geographical areas compared to the previous year, and a decline in drilling units was recorded. An area which in 2020 was less affected by the crisis is the Middle East, in particular Kuwait. In Latin America, drilling has shown, in terms of expenditure and number of rigs, levels of strong fall compared to 2019, in particular as regards Argentina, which represents almost 30% of the regional market. With regard also to the other areas in which Saipem operates (Europe and Africa), both investment levels and vessel activities have decreased.

## Capital expenditure

Investments made in 2020 concerned the upgrading of rigs for operations in Saudi Arabia and South America, as well as the maintenance and upgrading of the existing assets. Improvement and integration interventions were also carried out for maintaining the operating efficiency of the fleet and meeting the specific requirements of clients.

## New contracts

During 2020, the Onshore Drilling Division did not acquire new significant contracts, but mainly extensions of portfolio contracts in the Middle East.

## Work performed

In 2020, Saipem's offshore units drilled 156 wells (of which 26 workovers), totalling 487,821 metres.
Saipem worked in the following areas:
> Latin America: drilling, work-over and pulling activities were performed in **Peru** for various clients (including GMP, CNPC, Frontera Energy and Petrotal) with eight self-owned rigs and two owned by the client Frontera Energy. The other eight self-owned rigs remained inactive; in **Bolivia**, drilling activities were carried out for Shell and Repsol with two rigs. The operating rig for Shell ended its operations in August 2020;
> a third rig (5861) was imported into the country in February 2020 but, due to the COVID-19 pandemic, the beginning of the operations for the client Repsol was postponed to December 2020. The fourth rig in the country remained idle; drilling operations were carried out in **Argentina** for YPF (Yacimientos Petrolíferos Fiscales) under multi-year contracts using two rigs, while the other two rigs remained inactive; drilling operations were carried out in **Colombia** for Ecopetrol using two rigs; there are two inactive units in **Ecuador**; the seventeen rigs in **Venezuela** have remained inactive;
> Middle East: drilling operations were carried out in **Saudi Arabia** for Saudi Aramco, under multi-year contracts using twenty-eight rigs but, due to the COVID-19 pandemic, in 2020 the operations of twelve rigs were

suspended; in **Kuwait**, operations of two Saipem units provided to the client KOC are ongoing, under previously existing contracts;

- Rest of the world: in **Romania**, rig demobilisation activities have been completed following conclusion of the activities carried out for the client OMV-Petrom; in **Kazakhstan** demobilisation of the second rig used for the Zhaikmunai client has been completed. The two rigs were released with an early termination fee due to a cut in the client's operations. In Africa, Saipem operated in the **Congo** and in **Morocco**, in the former for Eni Congo SA, managing a client-owned unit, while in the latter with a self-owned rig for Sound Energy. The latter rig was later put in stand-by, awaiting the resumption of the operations postponed by the client following the pandemic. In **Italy**, preparation of a rig for works to be carried out for Eni was suspended following the client's decision to postpone the launch of the works, initially for strategic reasons and then due to the pandemic. The rig was finally released from March 1, 2020, with an early termination fee.

## Utilisation of rigs

Average utilisation of rigs stood at 43.6% (59.9% in the same period of 2019).
The highest utilisation rate was recorded in the region referring to Europe, the Middle East and Africa, where contracted fleets were practically constant in relation to 2019, with 75.1% of days sold (97.2% in 2019). The number of rigs present in the region as of December 31, 2020 was 36 (equal to 2019). In addition 1 unit owned by third parties was used in the Congo.
In Latin America the lowest average utilisation rate was recorded (19.6% against 30.7% in 2019). This result is due to the weight of the unused, totally written down rigs located in Venezuela and a slowdown of the operations in Peru. The number of rigs present in the region as of December 31, 2020 was 47 (47 in 2019). In addition, 2 third-party rigs were used in Peru.

# FINANCIAL AND ECONOMIC RESULTS

### Effects of COVID-19 on the basis of presentation including going concern

Consistently with the guidelines provided by ESMA (European Securities and Markets Authority) in its Public Statement of October 28, 2020, which highlights the need for issuers to provide updated useful information to investors so as to adequately reflect the impact of COVID-19 (on the financial position, performance, cash flows and identification of the main risks and uncertainties to which issuers are exposed when preparing interim financial reports), Saipem's considerations on the impacts observed and the mitigation measures put in place are detailed below.

The outbreak of the COVID-19 ("Coronavirus") pandemic has significantly impacted the global economy and, as a result, the Saipem Group, also considering the drastic reduction in the prices of the main energy raw materials (primarily gas and oil). The energy sector is among the worst affected globally, due to the collapse in demand for energy and for oil and gas in particular. In addition to that, the major oil producing countries failed to reach an agreement at the beginning of this year on production levels, which adversely impacted the supply and demand imbalance further, bringing the Brent crude price in the month of April under $20 per barrel. The agreement that was then reached between the alliance of the OPEC countries and Russia during the crisis allowed a re-alignment in the market, bringing the price back up to around $50 a barrel at the end of the year. There was nonetheless a drop in the projected prices for the oil over the mid-long term compared to the pre-COVID market.

Since the beginning of the outbreak of the pandemic, Saipem has started an in-depth analysis of the possible effects of COVID-19, which is still ongoing as the situation continues to evolve: (i) evolution of regulatory frameworks and, in particular, monitoring the measures taken by the countries in which Saipem operates; (ii) relationship management with customers and partners; (iii) management of both active and passive contracts, by introducing and/or activating, where possible, specific contractual clauses; (iv) impact on project execution, particularly on operations at construction sites and on vessels, due to changes in the availability of internal and external resources and/or other circumstances resulting, directly or indirectly, from the pandemic; (v) levels of performance and continuity of service by suppliers, subcontractors and partners.

Saipem has implemented specific mitigation measures to contain the impact of the pandemic from the outset, activating a crisis response protocol by setting up a specific task force in charge of constantly monitoring the spread of the virus and finding solutions to inform and protect internal and external staff (employees, customers and suppliers) in the offices and work sites in Italy and in the countries where the Group operates, in accordance with the instructions of the Ministry of Health. The Saipem Crisis Unit in Milan is always open and is constantly in contact, providing coordination with Local Crisis Units worldwide; it periodically reviews the situation and adjusts the status of the action plan with the Corporate Crisis Committee chaired by the Chief Executive Officer. Saipem continues to tackle the emergency by maintaining high monitoring levels and measures to prevent and combat the spread of the pandemic, aiming to ensure people's health, which remains the top priority.

Saipem's performance in 2020 confirms the Company's resilience to the unexpected and complex emergency caused by the ongoing COVID-19 pandemic, which has resulted in the revision of the growth prospects originally envisaged following the positive signs emerged in 2019.

To offset the increase of costs related to COVID-19 as described above, the Company has promptly launched adequate efficiency initiatives that has resulted in an improvement of cost structure efficiency of about €190 million, of which €45 million structural, and in significantly containing investments for a total €280 million. Despite an understandable slowdown, more significant on margins, operating performance confirms the organisational capacity to address complex situations effectively. The backlog of over €25 billion is still sizeable, diversified and increased compared with last year, following the new acquisitions of 2020 for approximately €8.7 billion.

**Financial aspects:** with regard to potential financial stress scenarios, Saipem is constantly monitoring the Group's current and prospective liquidity through the periodic calculation of KRI (Key Risk Indicator), aimed at measuring the level of available cash in the short term, the maturities concentration of financial liabilities and derivatives, and the ratio between financial sources and uses expected in the short and medium term.

For the control and efficient use of its liquidity, Saipem Group avails itself, among other things, of a central cash pooling system and automatic reporting tools.

As part of a strategy aimed at managing proactively the maturing debt through early refinancing or pre-funding operations, in March 2020 Saipem redeemed for the full amount of €500 million the notes maturing in March 2021. In addition, during 2020, the Company renewed for one year the non-convertible bond issuance programme denominated Euro Medium Term Note Programme, established in April 2016 for a maximum amount of €2,000 million and subsequently increased to a maximum amount of €3,000 million. In July 2020, Saipem Group issued a new bond for an amount of €500 million maturing in July 2026.

The total amount of notes currently outstanding is equal to €2,000 million, divided in four tranches of €500 million each, maturing in 2022, 2023, 2025 and 2026 respectively.

As a consequence, Saipem Group's financial debt is mainly structured over a medium-long term horizon, with a limited concentration of maturities in the financial year 2021.

In the second half of 2020, Saipem renegotiated the conditions of the Financial Covenants (defined as the net debt-to-EBITDA ratio) on the main bank facilities, adjusting the calculation according to the international accounting standard IFRS 16 and, at the same time, increasing the limit from 3.0 to 4.0 for the financial year 2020 and to 3.5 for subsequent financial years.
As an additional safety margin to strengthen the liquidity position of the Group, in addition to an available cash in excess of €1 billion, Saipem has the availability of a €1 billion committed Revolving Credit Facility, maturing in 2023 and never utilised at the present date.
As a result, Saipem believes to have access to sources of funding that are more than adequate to meet future financial needs. This, together with the control and efficient utilisation of its liquidity, ensures the Group is financially stable and does not require government subsidies and contributions.
Considering the negative economic and financial trends resulting from the pandemic and the reduction in crude oil prices, particular emphasis is also placed on reviewing the expected losses of financial assets, especially with regard to: (i) trade receivables, (ii) hedging derivatives and (iii) financial assets measured at fair value.
The procedures centrally implemented by Saipem's Finance Department are structured to manage the risks associated with the transactions put in place by constantly monitoring the effects caused by uncertainty surrounding future variables and the risk of the market counterparties with whom contracts are entered into.
With respect to trade receivables connected with the insolvency risk of customers, Saipem constantly monitors and centrally assesses the risk indicators and the probability of default for customers using third party information, in addition to assess debt recoverability at Division level.
**Recoverability of non-financial assets:** as regards the determination of the recoverable amount of the non-financial assets used by the Group in carrying out the projects, as required by the impairment methodology approved by the Board of Directors of Saipem SpA, the future cash flows for estimating the recoverable amount of each Cash Generating Unit (CGU) are determined on the basis of the best information available also taking into account actual results, considering future expectations at the time of the estimate, of the Division Management regarding the relevant markets.
The methodology adopted by the Group also proved to be adequate under the current emergency situation. In particular, as part of the communication on the management results for the first quarter of 2020, the unexpected deterioration of market conditions and the review of future investment plans by some customers have lead the company management to decide to perform the impairment test on all the Group CGUs. Value in use as of March 31, 2020 for the CGUs was determined by discounting the cash flow net of taxes, with a specific discount rate updated as of March 31, 2020, for each business segment. The cash flows used for the purpose of impairment test were those specified in the 2020-2023 Strategy Plan, which had been approved by the Board of Directors in February 2020 and updated with the latest best available estimates following specific events occurring from the second half of March 2020 onwards, in the EBITDA and Capex levels for the divisions, not changing certain parameters, such as exchange rates, expected working capital levels, tax rates and financial charges. In general, the update flow estimates mainly concerned the cash flows for 2020, except for the CGU for the Offshore Drilling Division, in relation to which the flow estimates were also updated for subsequent years of the Strategy Plan, including post-Strategy Plan years where needed. Note that in order to establish the long-term lease rates of the CGU for the Offshore Drilling, lacking new update reports on the market rates from external sources, normally used by the Division as a benchmark, the impairment exercise confirmed the long-term rates used for the impairment test as of December 31, 2019. As a result of the impairment test, an impairment loss of €257 million was recorded on some CGUs of the Offshore Drilling Division.
Moreover, in the first six months, due to the ongoing pandemic, the EBITDA and Capex values of the divisions were promptly updated, as well as the other parameters necessary to define flows such as exchange rates, assumptions on the evolution of working capital, tax rates and financial charges. The cash flows used for the impairment test are those of the 2020-2023 Strategic Plan approved by the Board of Directors in February, which were updated using the best estimates available and approved by the Board of Directors on July 16, 2020; the update of flow estimates concerned the cash flows of the 2020-2023 Strategic Plan of all divisions. As a result of the impairment test, as of June 30 an impairment loss of €590 million was recorded on some CGUs of the Offshore Drilling Division, of which €257 million were recorded in the first quarter of 2020.
As of December 31, 2020, the cash flows used for the impairment test were those of the 2021-2024 Strategic Plan, prepared using the best estimates available to date and approved by the Board of Directors on February 24, 2021. It should be noted that flows have been normalised, where necessary, according to IAS 36. In particular, the long-term lease rates of the Offshore Drilling CGUs have been defined using the latest update reports available at the date and processed by external sources, normally used by the Division as a benchmark. As a result of the impairment test, as of December 31, 2020, no additional impairment losses were recorded on top of the total €590 million loss recorded in March and June.
**Estimate process:** with regard to revenue from contracts with customers as a result of the COVID-19 crisis and changing market conditions, the circumstances relating to the possible (i) collection of payments that may no longer be highly probable and (ii) agreements between the parties that could modify certain aspects of the contract related to the subject matter or price of the transactions were assessed.
The enforceability of contractual rights and obligations and the likelihood of collecting the relevant payment are prerequisites for identifying a contract with customers for accounting purposes. In fact, according to IFRS 15, if these conditions are not met, the contract should not exist from an accounting point of view and revenue could not be recognised. Given the current uncertainty, it is therefore necessary to check whether such conditions are met

when entering into a contract, and whenever substantial changes in the relevant facts and circumstances are likely to occur.
Moreover, the estimate of the variable component of the payments has been revised since, because of this situation of uncertainty, it is complex and requires a high degree of judgement due to the constraint envisaged by the principle that allows revenue to be recognised only for amounts that are very likely not to be reversed in the future. Likewise, the effects of the operational implications deriving from the pandemic have been assessed and where necessary, considered in the cost estimate for the duration of projects.
As of January 11, 2021, almost all of the active risks linked to the COVID-19 pandemic had been quantified and the expected value of these risks today amounts to about 1.5% of the total expected value of all risks associated to Saipem projects, down from the value communicated in the first half of the year 2020, due to the increase in the estimated value of opportunities (positive risk side) offered by the projects (e.g., potential contract re-negotiations) and a partial reduction in the estimated value of risks (negative risk side) associated to Saipem projects.
The geographical areas in which the greatest exposure to risk has been recorded, though with differentiated situations depending on the divisions, are Saudi Arabia, Europe, Russia, the Caspian Sea and Western Africa.
**Identifying the COVID-19 economic impact:** with reference to contract assets from work in progress assessment, for which revenue are recorded "over the time" according to input methods such as "cost to cost", the estimate of the final charges and the timing for fulfilling the performance obligations made it necessary to consider whether the costs linked to COVID-19 should be excluded from project progress.
For this purpose, Saipem has identified three "clusters" in which the costs linked to COVID-19 have been allocated:
1. Costs directly related to COVID-19: these are costs directly related to COVID-19 as they were incurred, or will be incurred, to manage the emergency within the companies of the Group and at the project sites; these costs are to be borne by Saipem, since they cannot be contractually reimbursed by the customer. These costs are recognised on specific contracts separate from operating contracts and are recognised as costs in the income statement without generating contract progress (and therefore without recognising any contract assets) and without recognising any margin. In 2020, the costs directly attributable to COVID-19 amount to about €110 million (e.g. including: costs for stand-by resources in accordance with quarantine regulations and in the event that the activities of operational sites and vessels were stopped by authorities; costs of purchasing personal protective equipment in addition to standard practices; costs of sanitising work areas; costs of organising charter flights to bring the personnel home), highlighting in the fourth quarter a decrease that reflects the Company's adaptability and the effectiveness of the measures put in place.
2. Costs indirectly related to COVID-19: these are costs incurred, or that will be incurred, for which it is impossible to establish with reasonable certainty whether they are due to the pandemic or to other causes such as, for instance, changing market conditions linked to fluctuations in crude oil prices. These are, by way of example, costs due to delays in project or site activities, which have continued notwithstanding the challenges due, for example, to personnel reductions, postponements in materials deliveries or delays by customers. These types of costs are included in the full-life estimates of job orders.
3. Costs "to be evaluated case by case": these are direct project costs for which the Company activates the "force majeure clause", or which were incurred for staff kept on stand-by due to lockdown, and whose allocation must be assessed on a case-by-case basis due to the peculiarity of the situation, of the customer, of the contract, etc. No specific and quantifiable cases of this type have been identified.
**Reference market:** as for the possible future outlooks for the markets, there is evidence that the COVID-19 pandemic is continuing to destabilise many industrial sectors globally, since the virus has continued to spread in some developed regions (including the United States) and has spread to less affluent regions, which had initially been less affected. The energy sector has been one of the sectors most affected by the pandemic, largely due to the fall in global demand. Leading analysts forecast medium-term oil price scenarios at lower levels than previously anticipated, which is bound to have a negative effect on the entire Oil&Gas sector in the next few years and, to a greater extent, on contractors and service companies operating in the Upstream sector (Onshore and Offshore Drilling and Offshore E&C).
It should be noted that Saipem designs and constructs systems commissioned by clients on the basis of long-term investment assessments, whose realisation from the initial concept phase of the initiative, through development and construction, takes on average between four and seven years, depending on the complexity of the project.
Due to the nature of the business and its diversification in various segments, there is no direct correlation between the trend in oil prices and Saipem's financial results: as of December 2020, more than 70% of its E&C backlog was made up of non-oil projects, including LNG and renewables (energy efficiency).
**Business outlook:** the business scenario for 2021 will remain affected by the pandemic, especially in the first half of the year. For this reason, the Company is currently unable to provide a timely financial guidance. The volumes of the year and beyond are well supported by the large backlog, whose mix of projects and operational progress allows to predict for 2021 an adjusted EBITDA similar to that of 2020. New initiatives to reduce overheads have been launched on structural costs for about €30 million in 2021, in addition to the savings of 2020. The capital expenditure expected for 2021 amounts to around €450 million.
Beyond 2021, as the vaccination campaign continues and execution of projects progresses, combined with efficiencies and a further resumption of commercial activity, an increase of the adjusted EBITDA is expected, together with a resumption of the path of reducing net financial debt.
This scenario does not take account of a further and possible significant deterioration of the macroeconomic environment and of business as a result, for example, of the intensification of the COVID-19 pandemic.

The situation of uncertainty caused by the ongoing pandemic and the concern for the variants of the virus, while at the same time mitigated by the expectations linked to the discovery and distribution of the vaccines, could have non-quantifiable and significant effects on the commercial and operational activities and consequently on the Group's economic and financial position, also in light of the following:
- construction sites and logistics bases: limited productivity and delays in engineering activities due to restrictions on travel and presence at operating sites;
- ongoing projects: reduction in the scopes of work, interruption of projects due to "force majeure", slowing down of activities due to a reduction in project personnel, requests for discounts from customers on rental rates for drilling rigs, problems relating to the rotation of expat personnel abroad and team changes;
- current commercial tenders: lengthening of contract award timeframes.

Despite the crisis caused by the COVID-19 pandemic and the changing market conditions resulting from it, the going concern assumption used in the preparation of the annual consolidated financial statement as of December 31, 2020 may, based on the information available as of today, be considered adequate also as a result of the management and containment measures implemented, as described above.

## Group organisation: reporting

The Saipem Group's 2020 operating and financial results and the comparative data provided for prior years have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board and endorsed by the European Commission.
The results of the XSIGHT Division are not disclosed to the market separately, rather they are included in the Onshore Engineering & Construction Division because the numbers still do not warrant separate disclosure.

## Operating results

### Saipem Group - Income statement

| (€ million) | Year 2019 | Year 2020 | % Ch. |
|---|---|---|---|
| **Core business revenue** | **9,099** | **7,342** | **(19.3)** |
| Revenues and other income | 11 | 12 | |
| Purchases, services and other costs | (6,232) | (5,294) | |
| Net reversals of impairment losses (impairment losses) on trade receivables and other assets | (62) | (7) | |
| Personnel expenses | (1,670) | (1,625) | |
| **Gross operating profit (EBITDA)** | **1,146** | **428** | **(62.7)** |
| Depreciation, amortisation and impairment losses | (690) | (1,273) | |
| **Operating result (EBIT)** | **456** | **(845)** | **n.s.** |
| Net financial income (expense) | (210) | (166) | |
| Net gains (losses) on equity investments | (18) | 37 | |
| **Pre-tax profit (loss)** | **228** | **(974)** | **n.s.** |
| Income taxes | (130) | (143) | |
| **Profit (loss) before non-controlling interests** | **98** | **(1,117)** | **n.s.** |
| Profit (loss) attributable to non-controlling interests | (86) | (19) | |
| **Profit (loss) for the year** | **12** | **(1,136)** | **n.s.** |

**Core business revenue** in 2020 amounted to €7,342 million.
**Gross operating profit (EBITDA)** amounted to €428 million. Depreciation, amortisation and impairment losses on property, plant and equipment and intangible assets totalled €1,273 million.
**Operating result (EBIT)** for 2020 amounted to €845 million.
The main variations relating to the income statement items above are detailed below in the analysis by segment.
Net financial expense of €166 million was €44 million lower due to a decline in hedging costs and exchange losses; this effect was partly offset by an increase in charges due to the early redemption of bonds maturing in 2021 and the bond issued in July maturing in 2026.
Net losses on equity investments came to €37 million, mainly thanks to the results of contracts performed by companies measured using the equity method.
**Pre-tax loss** amounted to a loss of €974 million. Income taxes amounted to €143 million, compared to €130 million in 2019.

**Net result** shows a loss of €1,136 million (profit of €12 million in 2019), compared to the adjusted profit reduced by the following special items, for a total of €868 million:
- impairment of property, plant and equipment of the Offshore Drilling Division for €590 million, already recorded in the first half of 2020, deriving from the impairment test;
- write-down of tangible assets and related working capital, as well as of a right-of-use asset for €114 million;
- contingent liabilities for €24 million, in relation to pending judgements on projects already completed, deriving from the activity of periodic legal monitoring of the evolution of the overall dispute;
- costs deriving from the healthcare emergency for about €110 million. This amount includes the costs incurred in the year directly attributable to the COVID-19 pandemic, such as for personnel on stand-by in cases in which site activities and vessels were blocked by the authorities, for the purchase of personal protective equipment in excess of the standard quantities, for sanitising work areas and for the organisation of charter flights to bring the personnel home;
- restructuring expeses of €30 million.

The following income statement accounts were affected by special items during 2019 and 2020:

| (€ million) | Year 2019 | Year 2020 |
|---|---|---|
| **Revenues** | **9,099** | **7,342** |
| Impairment losses on working capital | 34 | - |
| **Adjusted revenues** | **9,133** | **7,342** |

| (€ million) | Year 2019 | Year 2020 |
|---|---|---|
| **Operating result (EBIT)** | **456** | **(845)** |
| Impairment/write-down and restructuring expenses | 153 | 868 |
| **Adjusted operating profit (loss) (EBIT)** | **609** | **23** |

| (€ million) | Year 2019 | Year 2020 |
|---|---|---|
| **Profit (loss) for the period** | **12** | **(1,136)** |
| Impairment/write-down and restructuring expenses | 153 | 868 |
| **Adjusted revenues** | **165** | **(268)** |

## Adjusted EBIT reconciliation - EBIT 2020

| (€ million) | Offshore E&C | Onshore E&C | Offshore Drilling | Onshore Drilling | Total |
|---|---|---|---|---|---|
| **Adjusted EBIT 2020** | **(62)** | **115** | **(16)** | **(14)** | **23** |
| Impairment | - | - | 590 | - | 590 |
| Impairment of assets | 46 | 22 | 13 | 11 | 92 |
| Impairment losses on current assets/provision for costs [1] | - | 6 | 12 | 4 | 22 |
| Dispute settlements [1] | - | 24 | - | - | 24 |
| Restructuring expenses [1] | 19 | 6 | 2 | 3 | 30 |
| COVID-19 healthcare emergency [1] | 51 | 38 | 12 | 9 | 110 |
| Total special items | (116) | (96) | (629) | (27) | (868) |
| **EBIT 2020** | **(178)** | **19** | **(645)** | **(41)** | **(845)** |

(1) Total €186 million: reconciliation of adjusted EBITDA of €614 million with EBITDA of €428 million.

## Adjusted EBIT reconciliation - EBIT 2019

| (€ million) | Offshore E&C | Onshore E&C | Offshore Drilling | Onshore Drilling | Total |
|---|---|---|---|---|---|
| **Adjusted EBIT 2019** | **338** | **144** | **123** | **4** | **609** |
| Impairment | - | - | 58 | - | 58 |
| Impairment of assets | - | - | 15 | - | 15 |
| Impairment losses on current assets/provision for costs (1) | - | 63 | 7 | - | 70 |
| Dispute settlements (1) | - | (38) | - | - | (38) |
| Restructuring expenses (1) | 13 | 25 | 3 | 7 | 48 |
| Total special items | (13) | (50) | (83) | (7) | (153) |
| **EBIT 2019** | **325** | **94** | **40** | **(3)** | **456** |

(1) Total €80 million: reconciliation of adjusted EBITDA of €1,226 million with EBITDA of €1,146 million.

The impact on the net result is equal to the impact on EBIT.

## Saipem Group - Adjusted income statement

| (€ million) | Year 2019 | Year 2020 | % Ch. |
|---|---|---|---|
| **Adjusted core business revenue** | **9,133** | **7,342** | **(19.6)** |
| Other income and revenue | 11 | 12 | |
| Purchases, services and other costs | (6,234) | (5,185) | |
| Net reversals of impairment losses (impairment losses) on trade receivables and other assets | (62) | (7) | |
| Personnel expenses | (1,622) | (1,548) | |
| **Adjusted gross operating profit (EBITDA)** | **1,226** | **614** | **(49.9)** |
| Depreciation, amortisation and impairment losses | (617) | (591) | |
| **Adjusted operating profit (loss) (EBIT)** | **609** | **23** | **(96.2)** |
| Net financial (income) expense | (210) | (166) | |
| Net gains (losses) on equity investments | (18) | 37 | |
| **Adjusted pre-tax profit (loss)** | **381** | **(106)** | **n.s.** |
| Income taxes | (130) | (143) | |
| **Adjusted profit (loss) before non-controlling interests** | **251** | **(249)** | **n.s.** |
| Profit (loss) attributable to non-controlling interests | (86) | (19) | |
| **Adjusted net profit (loss) for the year** | **165** | **(268)** | **n.s.** |

## Adjusted operating profit and costs by function

| (€ million) | Year 2019 | Year 2020 | % Ch. |
|---|---|---|---|
| **Adjusted core business revenue** | **9,133** | **7,342** | **(19.6)** |
| Production costs | (7,940) | (6,630) | |
| Idle costs | (222) | (352) | |
| Selling expenses | (150) | (157) | |
| Research and development expenses | (38) | (35) | |
| Other operating income (expenses) | (2) | - | |
| General and administrative expenses | (172) | (145) | |
| **Adjusted operating profit (loss) (EBIT)** | **609** | **23** | **(96.2)** |

Saipem Group core business revenue in 2020 was €7,342 million, with a decrease of €1,791 million from 2019; the decline affects all divisions and is caused by the slowdown of the projects as a consequence of the pandemic and the postponement of some operations agreed upon with the clients. In addition, there are project operational issues in the Offshore Division.
Production costs (which include direct costs of sales and depreciation of vessels and equipment) amounted to €6,630 million, representing a decrease of €1,130 million over 2019 in line with the decrease in revenue, although not proportionally.

Idle costs were €130 million more than in 2019, mainly as a consequence of the postponement to 2021 of certain projects that involved all divisions. Selling expenses, €157 million, were €7 million higher due to the continuation of the commercial efforts made.
The research and development expenses recognised as operating costs, €35 million, were essentially in line with those incurred in 2019.
General and administrative expenses, €145 million, were €27 million lower than 2019 as a result of the cost-reduction efforts made following the pandemic.

### Offshore Engineering & Construction

| (€ million) | Year 2019 | Year 2020 |
|---|---|---|
| Core business revenue | 3,841 | 2,749 |
| Cost of sales | (3,196) | (2,514) |
| Adjusted gross operating profit (EBITDA) | 645 | 235 |
| Depreciation and amortisation | (307) | (297) |
| Adjusted operating profit (loss) (EBIT) | 338 | (62) |
| Impairment losses and restructuring expenses | (13) | (116) |
| Operating result (EBIT) | 325 | (178) |

Revenues for 2020 amounted to €2,749 million, down 28.4% compared to the same period of 2019, due mainly to lower volumes recorded in North Africa, Middle East and Sub-Saharan Africa, partly offset by the greater volumes recorded in the Middle East, the Caspian Sea and in Italy.
The cost of sales, €2,514 million, was €682 million lower than in 2019, essentially in line with the lower levels of activity.
The adjusted gross operating profit (EBITDA) for 2020 was €235 million, equal to 8.5% of revenue. This was down from €645 million or 16.8% of revenue in 2019, also due to project operating issues.
The depreciation and amortisation charge was €10 million less than in 2019, mainly due to the lower depreciation a vessel which was sold for scrapping at the end of its useful life.
The operating loss (EBIT) for 2020 was €178 million, after recognising an impairment charge on the value-in-use of a third-party asset for €46 million, the €51 million cost of the COVID-19 health emergency, and restructuring expenses for €19 million.

### Onshore Engineering & Construction

| (€ million) | Year 2019 | Year 2020 |
|---|---|---|
| Adjusted core business revenue | 4,199 | 3,882 |
| Cost of sales | (3,972) | (3,689) |
| Adjusted gross operating profit (EBITDA) | 227 | 193 |
| Depreciation and amortisation | (83) | (78) |
| Adjusted operating profit (loss) (EBIT) | 144 | 115 |
| Impairment losses and restructuring expenses | (50) | (96) |
| Operating result (EBIT) | 94 | 19 |

Adjusted revenues for 2020 amounted to €3,882 million, down 7.5% compared to the same period of 2019, due mainly to lower volumes recorded in the Caspian Sea and in the Middle East, partly offset by the greater volumes recorded in the Africa Sub-Saharan.
The cost of sales, €3,689 million, was €283 million lower than in 2019, essentially in line with the lower levels of activity.
The adjusted gross operating profit (EBITDA) for 2020 was €193 million, equal to 5% of revenue. This was down from €227 million or 5.4% of revenue in the corresponding period of 2019.
Depreciation and amortisation amounted to €78 million, down €5 million compared to the corresponding period of 2019, mainly due to the lower depreciation following the impairment of a base in the first half of the year.
The operating result (EBIT) for 2020 was a €19 million profit, after recognising the write-down of a base and related inventories by €28 million, owing to the absence of commercial prospects over the course of the plan, contingent liabilities for €24 million, in relation to pending judgements on projects already completed, deriving from the activity of periodic legal monitoring of the evolution of the overall dispute, the costs incurred in relation to the COVID-19 healthcare emergency for €38 million, and restructuring expenses for €6 million.

## Offshore Drilling

| (€ million) | Year 2019 | Year 2020 |
|---|---|---|
| Core business revenue | 555 | 294 |
| Cost of sales | (329) | (221) |
| Adjusted gross operating profit (EBITDA) | 226 | 73 |
| Depreciation and amortisation | (103) | (89) |
| Adjusted operating profit (loss) (EBIT) | 123 | (16) |
| Impairment losses and restructuring expenses | (83) | (629) |
| Operating result (EBIT) | 40 | (645) |

Revenues for 2020 amounted to €294 million, down 47% compared with the same period in 2019, due mainly to the drillship Saipem 10000, which underwent class reinstatement works, and the semi-submersible rigs Scarabeo 7, Scarabeo 8 and Scarabeo 9, which were idle; the decrease was partly compensated by greater revenues from the full activity of the semi-submersible rig Scarabeo 5, which was idle in the corresponding period of 2019, and the jack-up Sea Lion 7 which started working at the beginning of 2020.
The cost of sales, €221 million, was down by €108 million, in line with the reduction in volumes compared to the same period of 2019.
The adjusted gross operating profit (EBITDA) for 2020 was €73 million, equal to 24.8% of revenue. This was down from €226 million or 40.7% of revenue in the corresponding period of 2019. The decline was mainly due to the increase in inactivity, as partially offset by efficiency improvements.
Depreciation and amortisation amounted to €89 million, down €14 million compared to the corresponding period of 2019, mainly due to the lower depreciation on impaired assets recorded in the first half of the year.
The operating loss (EBIT) for 2020 was €645 million and included: write-downs of tangible fixed assets by €590 million, deriving from the impairment test; write-downs of certain equipment and related inventories by €25 million, due to changes in the prospects for their use; costs incurred in relation to the COVID-19 health emergency for €12 million and restructuring expenses for €2 million.
The Offshore Drilling Division was affected not only by the effects of the COVID-19 pandemic, but also by the fall in the price of oil. Both factors led to shifts in the planned operational activities of 2020.

## Onshore Drilling

| (€ million) | Year 2019 | Year 2020 |
|---|---|---|
| Core business revenue | 538 | 417 |
| Cost of sales | (410) | (304) |
| Adjusted gross operating profit (EBITDA) | 128 | 113 |
| Depreciation and amortisation | (124) | (127) |
| Adjusted operating profit (loss) (EBIT) | 4 | (14) |
| Impairment losses and restructuring expenses | (7) | (27) |
| Operating result (EBIT) | (3) | (41) |

Revenues for 2020 amounted to €417 million, down 22.5% compared to the same period of 2019, due to lower activity in South America and the Caspian Sea.
The adjusted gross operating profit (EBITDA) for 2020 amounted to €14 million, equal to 27.1% of revenues. This was down from €4 million or 23.8% of revenue in the corresponding period of 2019.
Depreciation and amortisation amounted to €127 million, an increase of €3 million compared to the corresponding period of 2019, due to a new rig starting operations in Argentina.
The operating loss (EBIT) for 2020 was €41 million, after writing down certain rigs and related inventories by €15 million, given that the prospects for their use over the medium term are limited at best, and recognising the cost of the COVID-19 health emergency, €9 million and restructuring expenses for €3 million.

## Balance sheet and financial position

### Saipem Group - Reclassified consolidated statement of financial position [1]

The reclassified consolidated statement of financial position aggregates asset and liability amounts from the statutory statement of financial position by function, under three basic areas: operating, investing and financing. Management believes that the reclassified statement of financial position provides useful information that helps investors to assess Saipem's capital structure and to analyse its sources of funds and investments in non-current assets and working capital.

| (€ million) | | Dec. 31, 2019 | | Dec. 31, 2020 |
|---|---|---|---|---|
| Property, plant and equipment | | 4,129 | | 3,284 |
| Right-of-Use assets | | 584 | | 288 |
| Net intangible assets | | 698 | | 701 |
| | | **5,411** | | **4,273** |
| *- Offshore Engineering & Construction* | *3,023* | | *2,740* | |
| *- Onshore Engineering & Construction* | *594* | | *530* | |
| *- Offshore Drilling* | *1,232* | | *552* | |
| *- Onshore Drilling* | *562* | | *451* | |
| Equity investments | | 106 | | 140 |
| **Non-current assets** | | **5,517** | | **4,413** |
| **Net current assets** | | **(64)** | | **(2)** |
| Employee benefits | | (246) | | (237) |
| **Net assets held for sale** | | **-** | | **-** |
| **Net capital employed** | | **5,207** | | **4,174** |
| Equity | | 4,032 | | 2,923 |
| Non-controlling interests | | 93 | | 25 |
| Net financial debt pre-IFRS 16 lease liabilities | | 472 | | 872 |
| Lease liabilities | | 610 | | 354 |
| **Net debt** | | **1,082** | | **1,226** |
| **Funding** | | **5,207** | | **4,174** |
| **Leverage pre IFRS 16 (net borrowings/equity + non-controlling interests)** | | **0.11** | | **0.30** |
| **Leverage post IFRS 16 (net borrowings/equity + non-controlling interests)** | | **0.26** | | **0.42** |
| Number of shares issued and outstanding | | 1,010,977,439 | | 1,010,977,439 |

(1) See "Reconciliation of reclassified balance sheets used in the management report with the mandatory financial statements" on page 77.

Management uses the reclassified statement of financial position to calculate key ratios such as the Return On Average Capital Employed (ROACE) and leverage (used to indicate the robustness of the group's capital structure).
**Non-current assets** as of December 31, 2020 stood equal to €4,413 million, a decrease of €1,104 million compared to January 2019. The change derives from capital expenditure of €322 million from equity investments of €4 million, from amortisations of €591 million and impairment losses of €682 million, from the write-down of leased Right-of-Use assets by €106 million, from disinvestments of €11 million, an increase in the equity investments measured using the equity method by €37 million, and the adverse net effect of €77 million deriving mainly from the translation of financial statements denominated in foreign currencies, as well as other changes.
**Net current assets** have increased by €62 million, going from a negative balance of €64 million as of December 31, 2019, to a negative balance of €2 million as of December 31, 2020.
**Employee benefits** amount to €237 million, a decrease of €9 million since December 31, 2019, due to utilisation of the restructuring expenses.
As a result of the above, **net capital employed** decreased by €1,033 million, reaching €4,174 million as of December 31, 2020, compared to €5,207 million as of December 31, 2019.
**Equity**, including non-controlling interests, amounts to €2,948 million as of December 31, 2020, following a decrease of €1,177 million since December 31, 2019. This reduction reflects the loss for the period (€1,117 million), the payment of dividends (€94 million), the purchase of treasury shares (€16 million), and the adverse effect of translating financial statements denominated in foreign currencies and other changes (€71 million), as offset by the change in the fair value of the derivatives that hedge exchange-rate and commodity-price risks (€121 million).
**Net financial debt pre-IFRS lease liability** amounts to €872 million as of December 31, 2020, up by €400 million since December 31, 2019 (€472 million) because, primarily, a number of projects awarded in 2019 have now

achieved fully operational status. The increase also reflects the slowdown of projects due to the effects of the pandemic and the postponement of some activities agreed with clients. Net debt inclusive of IFRS 16 lease liabilities (€354 million) amounted to €1,226 million.

## Analysis of net financial debt

| (€ million) | Dec. 31, 2019 | Dec. 31, 2020 |
|---|---|---|
| Non-current loan assets | (69) | (66) |
| Non-current bank loans and borrowings | 676 | 584 |
| Non-current bonds and other financial liabilities | 1,994 | 1,993 |
| **Net medium/long-term financial debt** | **2,601** | **2,511** |
| Cash and cash equivalents | (2,272) | (1,687) |
| Financial assets measured at fair value through OCI | (87) | (68) |
| Other current loan assets | (178) | (342) |
| Current bank loans and borrowings | 359 | 387 |
| Current bonds and other financial liabilities | 49 | 71 |
| **Net short-term debt (liquid funds)** | **(2,129)** | **(1,639)** |
| **Net financial debt (liquid funds) pre-IFRS 16** | **472** | **872** |
| **Net current lease liabilities** | **141** | **135** |
| **Net non-current lease liabilities** | **469** | **219** |
| **Net financial debt (liquid funds)** | **1,082** | **1,226** |

Cash and cash equivalents include: (i) cash and cash equivalents of €401 million in current accounts of projects executed in partnership or joint venture; (ii) cash and cash equivalents of €167 million in current accounts denominated in currencies subject to movement and/or convertibility restrictions; (iii) cash and cash equivalents amounting to €3 million in current accounts frozen or subject to restrictions for a total of €571 million.
See note 22 "Analysis of net financial debt" for the related disclosures required by Consob communication no. DEM/6064293/2006.

## Statement of comprehensive income

| (€ million) | 2019 | 2020 |
|---|---|---|
| **Profit (loss) for the year** | **98** | **(1,117)** |
| **Other items of comprehensive income** | | |
| *Items that will not be reclassified subsequently to profit or loss:* | | |
| - remeasurements of defined benefit plans for employees | (17) | (2) |
| - change in fair value of investments with effects on OCI | - | - |
| - share of other comprehensive income (expense) of equity investments accounted for using the equity method regarding remeasurements of defined benefit plans for employees | (1) | 1 |
| - income tax relating to items that will not be reclassified | 4 | 1 |
| *Items that may be reclassified subsequently to profit or loss:* | | |
| - change in the fair value of cash flow hedges | 36 | 155 |
| - change in the fair value of financial assets, other than investments, with effects on OCI | 1 | - |
| - exchange differences arising from the translation into euro of financial statements currencies other than the euro | 50 | (78) |
| - income tax on items that may be reclassified subsequently to profit or loss | (7) | (34) |
| **Other comprehensive income (expense)** | **66** | **43** |
| **Comprehensive income (expense) for the year** | **164** | **(1,074)** |
| Attributable to: | | |
| - owners of the parent | 76 | (1,090) |
| - non-controlling interests | 88 | 16 |

### Equity including non-controlling interests

| (€ million) | |
|---|---|
| **Equity including non-controlling interest as of January 1, 2020** | **4,125** |
| Comprehensive income for the year | (1,074) |
| Dividends distributed to Saipem shareholders | (10) |
| Dividends distributed by other subsidiaries | (84) |
| Sale (re-purchase) of treasury shares net of fair value of the incentive plans | (16) |
| Purchase of non-controlling interests | - |
| Share capital increase net of charges | - |
| Other changes | 7 |
| **Total changes** | **(1,177)** |
| **Equity including non-controlling interest as of December 31, 2020** | **2,948** |
| Attributable to: | |
| - owners of the parent | 2,923 |
| - non-controlling interests | 25 |

### Reconciliation of profit (loss) for the year and equity to consolidated profit (loss) for the year and equity

| | Equity | | Profit (loss) for the year | |
|---|---|---|---|---|
| (€ million) | Dec. 31, 2019 | Dec. 31, 2020 | Dec. 31, 2019 | Dec. 31, 2020 |
| **As reported in Saipem SpA's financial statements** | **3,062** | **2,937** | **(85)** | **(171)** |
| Difference between the equity value and results of consolidated companies and the equity value and result of consolidated companies as accounted for in Saipem SpA's financial statements | 549 | (547) | 34 | (1,011) |
| Consolidation adjustments, net of tax effects: | | | | |
| - difference between purchase cost and underlying carrying amount of equity | 727 | 723 | (2) | (3) |
| - elimination of unrealised intercompany profits (losses) | (236) | (216) | 28 | 36 |
| - other adjustments | 23 | 51 | 123 | 32 |
| **Total equity** | **4,125** | **2,948** | **98** | **(1,117)** |
| Non-controlling interests | (93) | (25) | (86) | (19) |
| **As reported in the consolidated financial statements** | **4,032** | **2,923** | **12** | **(1,136)** |

The item "Other adjustments" mainly includes the impact of: (i) consolidated entries aiming to align the profit margins of contracts affecting more than one Group company, the individual progress of which may not have uniform economic/temporal development synchronised to the progress of the consolidated contract; (ii) consolidated entries to reflect and align any impairments deriving from impairment tests.

## Reclassified statement of cash flows [1]

Saipem's reclassified statement of cash flows derives from the statutory statement of cash flows. It enables investors to understand the link existing between changes in cash and cash equivalents (deriving from the statutory statement of cash flows) and in net financial debt (deriving from the reclassified statement of cash flows) that occurred between the beginning and the end of the period. The measure enabling such a link is represented by the free cash flows, which is the cash in excess of capital expenditure requirements. (i) changes in cash and cash equivalents for the period by adding/deducting cash flows relating to financial liabilities/assets (issuance/repayment of loan assets/loans and borrowings), to repayments for lease liabilities, equity (dividends paid, net repurchase of treasury shares, capital issuance) and the effect of changes in the consolidation scope and of exchange differences on cash and cash equivalents, or (ii) changes in net financial debt for the period by adding/deducting cash flows relating to equity, and the effect of repayments of lease liabilities and of changes in the consolidation scope and of exchange differences on net financial debt.

| (€ million) | 2019 | 2020 |
|---|---|---|
| Profit (loss) for the period | 12 | (1,136) |
| Non-controlling interests | 86 | 19 |
| *Adjustments:* | | |
| Depreciation, amortisation and other non-monetary items | 882 | 1,316 |
| Net (gains) losses on disposals of assets | (2) | (8) |
| Dividends, interest and income taxes | 243 | 272 |
| **Cash flows generated by operating activities before changes in working capital** | **1,222** | **463** |
| Changes in working capital related to operations | 311 | (72) |
| Dividends received, income taxes paid, interest paid and received | (275) | (268) |
| **Net cash flows from operating activities** | **1,257** | **123** |
| Capital expenditure | (336) | (322) |
| Investments in equity, consolidated subsidiaries and business units | (45) | (4) |
| Disposals and partial sales of investments in consolidated companies, business units and property, plant and equipment | 11 | 16 |
| Other changes related to financing activities | - | - |
| **Free cash flows** | **887** | **(187)** |
| Net change in receivables and securities held for non-operating purposes | (146) | (153) |
| Changes in short and long-term loans and borrowings | 126 | (27) |
| Repayments of lease liabilities | (127) | (126) |
| Sale (repurchase) of treasury shares | - | (16) |
| Cash flow from capital and reserves | (77) | (69) |
| Changes in consolidation and exchange differences on cash and cash equivalents | (65) | (7) |
| **NET CASH FLOWS FOR THE YEAR** | **598** | **(585)** |
| **Free cash flows** | **887** | **(187)** |
| Repayments of lease liabilities | (127) | (126) |
| Sale (repurchase) of treasury shares | - | (16) |
| Cash flow from capital and reserves | (77) | (69) |
| Exchange differences on net financial debt and other changes | 4 | (2) |
| **CHANGE IN NET FINANCIAL DEBT PRE-LEASE LIABILITIES** | **687** | **(400)** |
| Effect of first-time adoption of IFRS 16 | (547) | - |
| Financing/closing for the year | (185) | 110 |
| Repayments of lease liabilities | 127 | 126 |
| Exchange differences and other variations | (5) | 20 |
| Change in lease liabilities | (610) | 256 |
| **CHANGE IN NET FINANCIAL DEBT** | **77** | **(144)** |

(1) See "Reconciliation of reclassified balance sheets used in the management report with the mandatory financial statements" on page 77.

**Net cash flows generated by operating activities** of €123 million net of the negative cash flow from capital expenditure and other investments in shares, consolidated companies and divisions amounting to €326 million, and of the positive flow of disposals and partial disposals of consolidated equity investments, divisions and tangible assets amounting to €16 million, resulted in negative **free cash flow** of €187 million.
**Repayments of lease liabilities** generated a negative effect for €126 million; **cash flow from capital and reserves** showed a negative balance of €69 million, and was related to the payment of dividends. The purchase of treasury shares produced a negative effect of €16 million. Exchange differences and other changes on net financial debt produced a net negative effect of €2 million.
Therefore there was a negative **change in net financial debt pre-lease liabilities** of €400 million.
The **change in lease liabilities** generated an overall effect equal to €256 million, due to the net positive effect of new financing and contract closure for €110 million in the period, to the repayments of lease liabilities for €126 million, and exchange differences and other changes totalling €20 million.
**Cash flows generated by operating activities before changes in working capital** of €463 million related to:

- loss for the year of €1,117 million;
- depreciation, amortisation and impairment losses of property, plant and equipment and intangible assets of €1,273 million, the measurement of equity investments measured using the equity method negative for €37 million, the change in employee benefits negative for €7 million and the exchange differences and other changes for €87 million;
- net gains on the disposal of assets of €8 million;
- net financial expense of €129 million and income taxes of €143 million.

The change in working capital related to operations, negative for €72 million, was due to financial cash flows of projects underway.
Dividends received, income taxes paid, interest paid and received during 2020 were negative for €268 million and were mainly related to income taxes paid net of tax credits and to interest paid. Capital expenditure during the period amounted to €322 million.

# Key profit and financial indicators

## Return On Average Capital Employed (ROACE)

Return On Average Capital Employed is calculated as the ratio between adjusted profit (loss) for the period before non-controlling interest, less net financial expense less the related tax effect and net average capital employed. The tax rate applied to financial expense is 24%, as per the applicable tax legislation.

## Return On Average Operating Capital (ROACE)

To calculate the Return On Average Operating Capital, the average capital employed is netted of investments in progress that did not contribute to profit for the period.
No significant investment in progress in the two periods compared were identified.

| | | Dec. 31, 2019 | Dec. 31, 2020 |
|---|---|---|---|
| Profit (loss) for the year | (€ million) | 98 | (1,117) |
| Exclusion of net financial expense related to the debt (net of tax effects) | (€ million) | 210 | 166 |
| Unlevered net profit (loss) for the year | (€ million) | 258 | (991) |
| Capital employed, net: | (€ million) | | |
| - at the beginning of the period | | 5,742 | 5,207 |
| - at the end of the period | | 5,207 | 4,174 |
| Average capital employed, net | (€ million) | 5,475 | 4,691 |
| **ROACE** | (%) | **4.71** | **(21.13)** |
| **Return on Average Operating Capital** | (%) | **4.71** | **(21.13)** |

## Net financial debt and leverage

Saipem management uses leverage ratios to assess the soundness and efficiency of the Group's capital structure in terms of an optimal mix between net borrowings and equity, and to carry out benchmark analyses against industry standards. Leverage is a measure of a company's level of indebtedness, calculated as the ratio between net borrowings and equity, including non-controlling interests.

| | Dec. 31, 2019 | Dec. 31, 2020 |
|---|---|---|
| Leverage pre IFRS 16 | 0.11 | 0.30 |
| Leverage post IFRS 16 | 0.26 | 0.42 |

## Non-IFRS measures

Some of the performance indicators used in the "Directors' Report" are not included in the IFRS (i.e. they are what are known as non-IFRS measures).
Non-IFRS measures are disclosed to enhance the user's understanding of the Group's performance and are not intended to be considered as a substitute for IFRS measures.
The non-GAAP measures used in the "Operating review" are as follows:
- cash flow: the sum of profit plus depreciation and amortisation;
- capital expenditure: calculated by excluding investments in equity interests from total investments;
- EBITDA: a useful measure for evaluating the operating performance of the Group as a whole and of the individual business segments, in addition to operating profit. EBITDA is an intermediate measure, which is calculated by adding depreciation and amortisation to operating profit;
- non-current assets: the sum of net property, plant and equipment net intangible assets and equity investments;
- net current assets: includes working capital and provisions for risks and charges;
- net capital employed: the sum of non-current assets, working capital and employee benefits;
- funding: equity, non-controlling interest and net financial debt;
- special items represent:(i) non-recurring events or transactions; (ii) events or transactions that are not considered to be representative of the ordinary course of business;
- net financial debt: is calculated as financial debt net of cash and cash equivalents, bonds and other financial assets that are not instrumental to operations.

# RESEARCH AND DEVELOPMENT

*Technology innovation, one of Saipem's strategic pillars, is a key lever to drive the Company faster towards the future of novel and fully decarbonised, clean energies. Saipem acts now as a Global Solutions Provider to the whole energy industry, able to provide concrete innovative tools to our clients to solve complex challenges, especially those linked to the energy transition. It is a deep mutation process with many actors of the energy sector that are accelerating on the transition while at the same time reducing the weight of their traditional business. In this respect, selective access to new technology is decisive to grant the Company a competitive advantage in offering winning solutions.*

A few introductory words to describe the effect of the pandemic on Saipem's innovation activities in 2020: our intensity of action has not been noticeably affected despite some efficiency in opex spending and rephasing of technology capex in agreement with the overall capex company policy. The timing of a few activities has been rephased due to the temporary unavailability of our development partners and supply chain. Despite the tough global context Saipem reacted in line with its tradition and, in collaboration with Politecnico di Milano, has also developed a new methodology to track and measure the value generated by technology innovation inside the executed projects, in relation to the sustainable development of the business and in line with the Company's ESG objectives.

Moving to a detailed description of the divisions' activities, the new organisational model implemented in the **Offshore Engineering & Construction Division** was completed also on the management of Innovation processes, for the "Core Market", "Green" and "Solutions" business lines. To better respond to energy transition and sudden changes of the global scenario, analyses have been done on the strategic fitness of offshore technologies and on their recent evolution, leading also to portfolio optimisations and cost reduction. Particular attention was paid to the decarbonisation of offshore Oil&Gas and Energy sectors, and the related technological development programmes.

Within the "Green" business line, after the acquisition of the contracts for two offshore windfarms, "Neart na Gaoithe" (NnG) and "Formosa II" and other recent acquisitions, efforts were made to transform the traditional construction and jacket process for Oil&Gas, in the construction of a set of jackets for the offshore farms, applying new procedures, tools and digital equipment. After a first feedback from on-going wind construction projects, Saipem is kicking off new initiatives for 2021, to extend classical steel foundation structures to midwater, and to improve the fleet operability.

The development of Saipem's HexaFloat floating wind technology is progressing in several directions. The AFLOWT pilot project has started, to test the HexaFloat technology offshore West Ireland, within a consortium led by the European Marine Energy Centre and funded by Interreg North West Europe. In addition, Saipem signed partnership contracts with ADEME (Agence De l'Environnement et de la Maîtrise de l'Energie) and with one industrial actor to support the HexaFloat demonstrator's initiative.
Saipem is also participating in the "FLOATECH" Horizon 2020 programme, recently granted by the EU, to increase maturity and the cost competitiveness of floating offshore wind energy, by improving the aero-hydro coupled modelling and by developing active control techniques.
In addition, Saipem and Consiglio Nazionale delle Ricerche (CNR) have signed a collaboration agreement which will allow the research centre to use the HexaFloat concept. The CNR research project will include evaluation via development of appropriate numerical models, model test at the Istituto di Ingegneria del Mare (INM) indoor basin, fabrication and installation of a prototype in the waters of a sea laboratory in front of Naples managed by both CNR-INM and the University of Campania "Luigi Vanvitelli". The first prototype of the HexaFloat will already touch water in the spring of 2021.

Besides offshore renewable power generation solutions, the Division is developing three main lines to decarbonise the offshore sector in the Oil&Gas and energy industry: the transport of $CO_2$ or hydrogen through subsea pipelines; the offshore production and storage of green hydrogen; the Oil&Gas fields Hybridization & Energy Efficiency improvement.

As to $CO_2$ and hydrogen transport, Saipem, as leading company in the design and construction of offshore pipelines, is involved in studies for the conversion of existing pipes for $CO_2$ or hydrogen transport, and for defining international standards to design new sealines, also through the participation in several Joint Industry Projects (JIPs).
Offshore green hydrogen production and storage is currently under investigation through several feasibility studies of integrating electrolysis and fuel cell on an offshore electrical substation. As an example, a collaborative project was started dubbed "SEALHYFE", with LHYFE (a green hydrogen producer start-up), Chantiers de l'Atlantique and CEA to evaluate potential and feasibility of an offshore green hydrogen platform coupled with offshore wind power for the Loire Atlantique Region.

In parallel, the Company is working with "ELEMANTA", a multiutility barge concept for cleaner harbours, initially designed for harbour electrification using LNG, but now extended to electrical power production from green hydrogen and fuel cells, and to waste and water treatment applications. Discussion with harbour actors in France and Europe are ongoing, for a first demonstrative project.

The hybridization and energy efficiency line includes the "Windstream" technology, based on the HexaFloat solution, which can supply renewable electrical power to subsea utilities in Oil&Gas fields, and the studies on "Subsea Factories" and high-efficiency heating pipe-in pipe, as means to improve energy efficiency on the same fields.
Furthermore, Saipem is studying the pilot application of a self-powered wave buoy for environmental monitoring and marine life growth, in Brazil, for a major Oil&Gas company.

Within the "Subsea Robotic Solutions" area, the development and industrialization programmes of the Hydrone platform is continuing. The first Hydrone-R vehicle has been delivered to Equinor, as part of the first ever "Life of Field" contract for an Underwater Intervention Drone, covering 10 years of service in the Equinor "Njord" field off the coast of Trondheim, with the new Hydrone-R and Hydrone-W. The Hydrone-R was tested thoroughly at sea in Saipem's nearshore "playground" in Trieste, and it is now subjected to functional integration tests with Equinor's SDS (universal Subsea Docking Station), before being applied in the field.
The industrialization of Hydrone-W is ongoing, according with the programme. This vehicle, a work-class full electric ROV, will be equipped with a revolutionary powertrain and power management system, that minimises the energy consumption during operations. It is designed to operate also from unmanned platforms, controlled from land.
Another vehicle from the Hydrone platform is the "FlatFish", an advanced autonomous underwater vehicle with artificial intelligence and underwater residence capability, which exploits some of the technologies already developed by Shell on its prototype (for which Saipem has an agreement for the production and commercialization). A first pilot use of "FlatFish" in the field is planned across the end of 2021 and the beginning of 2022, in Brazil.
The whole Hydrone platform will benefit also from more advanced functions which, combined with subsea wireless networks, will improve the continuous and detailed inspection capacity, and allow more efficient data collection, introducing advanced capacities that have already attracted the interest of several international players. In this regard, it is worth adding that Saipem is a member and part of the steering committee of SWiG (Subsea Wireless Group, an international network of the Oil&Gas sector that promotes interoperability for underwater wireless communications). In addition, Saipem is participating in the "AIPlan4EU" Horizon 2020 programme, recently granted by the European Union, for the joint development of an Artificial Intelligence software for automatic mission planning, to be used also on our Hydrone platform.

Saipem is also developing an industrial platform for the so-called "Subsea Factory solutions", defining a supply chain with a number of specific agreements (with Total, Siemens, Curtiss Wright, Veolia and other technology providers). This development fits with the "All-Electric" vision for fields, made of subsea infrastructures connected by electric lines and optical fibres, in place of complex electro-hydraulic umbilical to actuate the valves. This programme also includes the subsea storage and injection of chemicals, and the relative technologies currently under industrialization and qualification. The SPRINGS™ programme for water cleaning and injection is at an advanced step of qualification (with Total and Veolia). A major client recently awarded Saipem with a study to evaluate its application to a subsea field.
Other subsea process technologies are at a development stage: among those, the HiSep™ subsea separation of dense-phase $CO_2$ from oil, now under scale testing for Petrobras (owner of the technology) and the Spoolsep technology for separation and cleaning of water produced together with oil, for which a further joint development step is under discussion with several clients. Other investigations are being carried out on sand management and subsea processes for the transportation of pre-treated gas over very long distances.

Saipem is qualifying, with a third-party certification authority, a submarine mechanical end connector ("Seal & Grip"), to replace damaged pipe sections with pipe spools, the only connector that adopts a full metal-to-metal seal, to guarantee permanent repairs of clad, lined and sour service pipelines.

Regarding new production schemes, Saipem is leveraging on the new technologies able to move processes currently placed at surface to the seabed, and/or to connect them to facilities positioned at ever-greater distances, also powering them by renewable energy harvested around the field itself.
This is also the case of the "Windstream" technology, a solution for local power generation, aiming to reduce the costs of long subsea tie-backs.
The backbone of such architectures are all-electric subsea power distribution systems and new sealines, particularly those that are electrically heated.
Saipem is proposing these proprietary technologies in optimised "Long Subsea Tie-Back" systems to clients, together with new concepts for subsea storage of chemicals and some subsea process technologies, in order to guarantee the flow of products over long distances. At the same time, solutions for flow monitoring are also being tested, to ideally ensure real time monitoring where criticalities are expected.
In the flowline and riser area, new materials and solutions are currently under development. A set of new materials for wet insulation of subsea structures working at high temperature and in ultradeep waters have been validated. In

Brazil, new R&D initiatives have been launched to replace ageing flexibles with mechanically lined SLWRs (Steel Lazy Wave Risers), developing lightweight Pull-In tubes, to adapt to existing FPSOs, originally designed for flexible hang-in systems, and new competitive lining materials for protection of hydrocarbon risers against corrosion.
Studies, conducted jointly with major Oil&Gas operators, have been concluded, both for a new lightweight hybrid Pipe-in-Pipe, and to assess the introduction of composite materials on risers for 4,000 metres of water depth, also with our SIR (Single Independent Riser) configuration.

On the side of more traditional technologies, the continuous improvement of metallic pipelines technologies, developed at our Ploiesti Technology Center (PTC) in Romania, achieved a remarkable rate of success in operative projects. After the recent successes on Zohr project offshore Egypt, some of newest welding, NDT (Non-Destructive Testing) and FJC (Field Joint Coating) technologies have been applied also on the Liza field development programme in Guyana and in several projects in the Middle East, on clad pipes welding, on multiple-joint prefabrication on board pipelay vessels and on FJC process. More recently, a new high speed welding procedure in S-lay for carbon steel pipes in sour service and fatigue applications, has been successfully validated by combining automatic welding and full remelting of the first two passes with Saipem SPRINT plasma technology.
Despite a small slowdown in the technological operations in Ploiesti, due to the COVID-19 epidemic, the effects on the qualification tests for the client's projects were limited. The control room set up last year at PTC has in fact allowed the client representative of a project in the Middle East to participate, remotely, in the official qualifications of the FJC process.
Saipem, indeed, has been involved for some years in a large-scale innovation programme, also including the automation of proprietary Smart Field Joint Coating systems, the creation of their digital twins and the simulator for welders training. Thanks to this, all PTC automatic FJC systems can now be controlled and managed remotely. Among these there are some FJC automatic machines industrialized this year, and now ready to operate: SHINKRA, a unit for application of heat shrinkable sleeves on pipes; SINCRO, a system for the internal coating of girth welds; SANDI, a sandblasting unit, and SARCHOS, a "Heat & Coat" unit, both for the external coating of large pipes.

In terms of diversification of the business, several efforts have been carried out by the Division, in strict collaboration with the other divisions:

- the subsea rescue system developed by Saipem in collaboration with Drass, a leading company in submarine and hyperbaric crewed technology, was selected by Marina Militare Italiana (the Italian Navy) for the equipment of SDO-SuRS (Special & Diving Operations - Submarine Rescue Ship), the new vessel for the rescue of submarines. The system integrates a latest generation remote operated vehicle, acting as a vector for navigation and control, with a rescue capsule bringing submariners back to the surface through a controlled habitat in total safety;
- on another side, the Offshore E&C Division is conducting the conceptual study for the Messina Strait Crossing Tunnel, in cooperation with the Onshore E&C and XSIGHT Divisions. In the same field, Saipem has also been involved in the Biornafjord floating bridge project in Norway;
- furthermore, Saipem and Fincantieri have signed a Memorandum of Understanding to promote the development of deep-seabed mining, i.e., the sustainable exploitation of deep-sea floors over 3,000 metres in depth;
- finally, Saipem was awarded an offshore fish farm contract for Nova Sea for a FEED of an innovative closed-containment offshore fish farm concept developed for harsh environmental conditions.

Within the design of subsea systems, the **XSIGHT Division** is following some significant initiatives for the development of an integrated market range, aiming the early engagement of clients, including:

- development and digital visualisation of subsea system design in the conceptual stage. The cloud-based digital collaboration platform FieldAP has progressed from conceptual stage to operations as XSIGHT started using it in project development. It is allowing project stakeholders to quickly visualize proposed design concepts, share knowledge, engage on the refinement of proposed solutions and helping projects in progressing faster. XSIGHT is also continuing the search for improved alternative visualization solutions to enhance and enlarge the client offering;
- modernisation of subsea field design. The SpiDev design framework has materialized as an efficient, collaborative, Python driven web-based subsea design platform providing clear advantages as to document release and project execution times. To support decision making at feasibility and early design stages, a high-level check of detailed buoyancy status for different pipeline conditions was recently added to provide guidance on size and thickness selection minimising chances of re-sizing at later stages and subsequent project delays;
- production assurance solutions. The engineering design software for thermal-hydraulic dynamic modelling OLGA, normally used in Flow Assurance, was used to develop specifications for line insulation and sizing. It has been deployed on a number of concepts, pre-FEED and FEED engineering projects. A simulation manager integrated into a collaborative platform is under development to provide the basis for more efficient analysis and use of the OLGA licences to reduce requirements and costs.

XSIGHT is also developing algorithms and software in-house, based on the principles of Artificial Intelligence, useful for defining key parameters and monitoring project execution, including:

- software able to quickly and automatically analyse contractual documentation, both of a technical nature and otherwise, retrieving key information to facilitate compliance of design and execution with the contractual requirements and constraints;

- the "XMachine" platform for the use of data analytics and AI applications, aiming to increase efficiency in executing repetitive tasks, enhance the quality of project deliverables and capitalize the information and data generated, which are managed through the applications running on the platform.

The XSIGHT and Offshore Drilling divisions are jointly working on projects for the digital transformation of assets, to reduce their down-times and guarantee system integrity through the adoption of smart technologies, including:

- coherent optics technology for monitoring the mechanical behaviours of structures and any related fractures, in cooperation with the Milan Polytechnic;
- industrial analytics, for predictive maintenance and plant management applications.

The **Offshore Drilling Division** is proceeding with the development of new subsea drilling technologies to improve efficiency and safety of operations: the project is referred to as Neptune and involves riser shape monitoring. The plan is to perform sea tests in an Italian Saipem base to test the shape reconstruction methods by simulating a number of real conditions. The Division is also at the forefront of wearable technologies to improve efficiency of its own personal protection equipment: the concept is to use sensors, now widely available on the market, to achieve more safety where we operate. A smart boot prototype was finalised and a partnership with a major safety shoes provider is under discussion.
In the field of digital transformation, the Division has developed the virtual model of the Saipem 10000 and is starting the Scarabeo 9. These virtual models extend the virtual fleet, which was already composed of Scarabeo 8 and Saipem 12000. In order to reap the benefits of "gamification", a videogame is being developed to improve the experience of the staff and their results in terms of familiarisation with rig operations and HSE procedures before going onboard. To increase complexity and return on value of the virtual fleet, the Division is also completing a pilot project aiming to add new functionalities and data sources to the Virtual Fleet models, as well as to extend the programme to other rigs. A search engine based on Natural Language Processing techniques and an augmented reality app are being deployed to let the users access information available on the digital twins in a new and more efficient way. An operational excellence project is now in full roll out: data automatically generated and retrieved from equipment onboard are analysed in detail so as to allow a real-time adjustment process.
Furthermore, the implementing phase of a predictive maintenance project has begun, and involves all the critical equipment on Scarabeo 8; the aim is to detect malfunctions in advance and to carry out "what if" analyses.
The Division is also fully deploying the new IoT Infrastructure on the fleet: the new architecture allows to reach every data available on board and apply the relevant algorithms. This is considered the foundation of all digital applications to be developed, now and in the future.
Finally, opportunities for diversification are being investigated by the Division: deep sea mining, $CO_2$ storage solutions and offshore geothermal. In the latter field, Saipem has recently signed an agreement with Istituto Nazionale di Geofisica e Vulcanologia to carry out feasibility studies to build offshore geothermal plants, evaluating applicable technological solutions, providing expertise and playing a coordination role in the verification of the industrial feasibility.

The **Onshore Drilling Division** has focused its efforts on pursuing continuous maximisation of the return on value of real-time data from sensors installed on land rigs to enable informed decision making based on the knowledge of real-time, integrated data, and to achieve operational efficiency through the adoption of digital tools. Specifically, the Drilling Performance Dashboard, enabling advanced analysis on drilling operations, has been updated with a new functionality for the monitoring of fuel consumption and GHG emissions. This solution is currently implemented in rigs in Kuwait, with a view to extend its application to the rigs in other Middle Eastern countries. Furthermore, the Division has started a new programme aimed at enabling remote support to field operations and the digitalization of maintenance processes.

The **Onshore Engineering & Construction** and **XSIGHT Divisions** have been focusing their efforts mainly on the monetization of natural gas and on decarbonisation processes, taking advantage of the solid expertise on the subject to maximise the efficiency of the entire value chain. To this end, a multi-year plan is in progress to keep the proprietary technologies at the highest level of competitiveness.

Relevant to the fertiliser production technology "Snamprogetti™ Urea", the ongoing activities include:

- enlarging our portfolio of high-end solutions with the introduction of the Snamprogetti™ SuperCups trays, which drastically increase the mixing efficiency of the reactant phases, optimising the product conversion rate; several new or "revamped" facilities are or will be adopting the SuperCups trays;
- improving resistance to corrosion and cost reduction through the development of novel construction materials, either by traditional or additive manufacturing;
- providing complete solutions to operating plants as represented by the acquisition of the Tuttle Prilling Bucket technology, a device adopted worldwide in Urea prilling towers for the production of high quality prills for a wide range of plant capacities;
- reducing gaseous emissions using an innovative proprietary technology. a pilot plant has been constructed at Politecnico di Milano and commissioning is ongoing;
- innovative solutions for Ammonia-Urea complexes for Waste Water Treatment under a cooperation agreement with Purammon Ltd for a highly effective removal of nitrogen and organic contaminants through a novel electrochemical technology, that allows for compliance with the most stringent environmental regulations.

Efforts in the LNG (Liquefied Natural Gas) field are ongoing to define proprietary small-scale liquefaction and re-gasification of natural gas, which can become a flexible tool also for supporting sustainable mobility in the near future.
The divisions are also working on alternative solutions designed to suit the current market scenario, including LNG facilities based on the proprietary Liqueflex™ technology. The following key activities are in progress for the afore-mentioned applications:
- design consolidation, integration of information on equipment/suppliers and criticality assessment of maintenance of Onshore small-scale LNG solutions;
- cooperation with a partner for the development of a new low-cost containment system for small and medium-scale transportation of LNG.

Furthermore, various proprietary solutions have been identified to further lower carbon emissions in large scale LNG plants.

In relation to High Octane technologies, the activities of XSIGHT include:
- further improving the knowledge of high purity Isobutene technology proprietary catalyst by involving a qualified, external laboratory. This activity was completed in 2020;
- test of the new formulation of C8 Hydrogenation BASF catalyst for Saipem proprietary technology, involving an external laboratory (Politecnico di Milano);
- identification of new possible applications such as the Dimerization and Oligomerization of isobutylene feedstock from Fermentation.

In the medium term, targeting progressive decarbonisation of energy and overall $CO_2$ emissions reduction, Saipem is pursuing several and diversified actions:
- *$CO_2$ Management*: the Onshore E&C Division is building a technology portfolio to deal either with purification of natural gas from reservoirs with high content of $CO_2$ or capture of $CO_2$ from combustion flue gas in power generation and industrial processes. In this context, Saipem has acquired a proprietary technology for $CO_2$ capture from the Canadian Company CO2 Solutions Inc (CSI). The CSI technology reduces the costs and environmental impact of capturing $CO_2$ from combustion, enabling its sequestration and reuse to obtain new marketable products. The technology is based on an innovative enzymatic process to capture $CO_2$ during which no toxic products are used or released; moreover, regeneration occurs at low temperature, with a reduction of operating costs. The technology has been tested in a small-size commercial plant in operation at the Resolute Forest Products pulp paper mill in St. Félicien (Québec). The $CO_2$ produced is then used in the greenhouses of a near-by farm;
- the Division is active and focused on identifying new $CO_2$-reuse technologies that have the potential to provide emission savings for power and other industrial sectors;
- in the field of $CO_2$ transportation, after having completed the FEED for the offshore pipeline section of the Northern Light Project, Saipem is supporting an activity funded by the Norwegian Government targeting identification of non-metallic materials suitable for use in $CO_2$ pipelines transportation and is part of the initiative "Altera Infrastructure's Stella Maris CCS" together with Equinor, Total, DNV GL, Sintef and other partners, supporting a feasibility study on large-scale transport and injection of $CO_2$ in subsea exhausted reservoirs/acquifers;
- XSIGHT is also defining the environmental "performance" of its products and licensed "utilities" using a standard LCA (Life Cycle Assessment) methodology that provides clients with a reliable and transparent quantitative assessment of their potential environmental impacts. In addition, XSIGHT is also developing the new "Design For Low Carbon" tool, which allows to quickly estimate the Carbon Footprint of Saipem products/plants and identify the most suitable minimisation solutions to reach the Net-Zero objective, in any design phase, from feasibility to EPC;
- *Hydrogen:* the potential for the future use of green hydrogen or blue hydrogen in industry, mobility and other uses is currently under investigation, considering the significant industrial experience and specific know-how of the Company on the matter. Furthermore, the technical issues linked with hydrogen transportation in pipelines, either pure or blended with natural gas, are under investigation. In this respect, but not limited to, Snam and Saipem have recently signed a Memorandum of Understanding to work together on new energy transition technologies and to develop feasibility studies to find new solutions to transport hydrogen in both liquid and gaseous form, by using and adapting existing infrastructure and networks as well as by shipping it by vessel;
- *Hybrid solutions:* application of novel approaches to optimise integration of renewables/energy storage concepts with fossils exploitation in Oil&Gas operations, both onshore and offshore (as also previously reported for the Windstream project);
- *Energy Storage:* various energy storage solutions combined with Renewables for Power Generation and/or industrial plant hybridization are under investigation. In addition, pushed by the increasing demand of power levelling, XSIGHT is also developing its Pumped Heat Energy Storage (PHES) technology, patented in 2008. PHES technology takes advantage of the high energy density contained in solids at high temperatures and competes with Pumped Hydro Storage (PHS) and Compressed Air Energy Storage (CAES), but being less limited by site location;
- *Circular economy:* the development of innovative solutions to sustainably treat waste or residual/opportunity feedstocks from the Oil&Gas industry (including plastics recycling) or from other industries such as cement, iron

& steel, pulp and paper, etc, with their consequent valorisation to energy and/or valuable products, is becoming an important asset. In this regard, Saipem is finalizing a Memorandum of Understanding with a technology provider in order to develop a pressurized gasification technology to produce syngas from waste;
- *Biomass conversion:* a deep investigation was devoted to Biofuel production processes and technologies with focus on second generation bioethanol and its integration with the technology for biogas production. In this frame it is under finalization a Memorandum of Understanding with a technology provider to co-develop promising technology.

In the field renewables area, XSIGHT is developing several solutions:
- in partnership with Equinor, a new concept of "Offshore Floating Solar Park" for onshore applications;
- in partnership with QINT'X, the project called AGNES for an innovative offshore energy hub. The project is located offshore Ravenna and will include both seabed-fixed and floating offshore wind, floating solar parks, green hydrogen production and energy storage with batteries;
- in partnership with Plambeck Emirates Llc, a floating offshore wind farm located in the Saudi Arabic Coast of the Red Sea.

As regards the promising marine/ocean energy sector, some important results have already been obtained:
- collaboration is going ahead with the Finnish company, Wello Oy, which has developed an innovative Penguin technology for energy production from sea waves. The project will encompass transportation, installation and operation for 2 years of the Penguin at the Biscay Marine Energy Platform site;
- the XSIGHT Division is supporting a specific survey campaign on an identified installation site for the application of the GEMStar hydro-turbine, developed by SeaPower, a spin-off of the University of Naples "Federico II". In this field, Saipem's activities will include the transport and installation of the turbine and the optimization of its anchorage system.

Lastly, XSIGHT is jointly developing with KiteGen Research an innovative prototype that generates electricity from high altitude winds, by using special "kites", also for offshore applications.

More in general, Cassa Depositi e Prestiti (CDP) and Saipem have signed a Memorandum of Understanding to evaluate the joint launch of innovative and highly sustainable projects, environmentally, socially and economically, aimed at promoting the energy transition in Italy and abroad.

Within the overall framework of technology innovation activities, Saipem filed 21 new patent applications in 2020. Furthermore, Saipem has been assigned the fifth position in the ranking drawn up by the European Patent Office (EPO) relating to Italian companies with the highest number of European patent applications registered in 2019.

A further, even more "revolutionary" approach is followed in our **Innovation Factory**, with a model which encompasses different targets of innovation – technological, digital, process, and business model – and aiming at targeting territories which are still uncharted for the company. Saipem launched the "Innovation Factory" in 2016 to address the challenges of the sector by promoting the adoption of novel digital technologies and new methodologies, aimed at changing the way Saipem works, mainly to discover and pursue new markets, new value propositions and new business models. Carefully defined strategic challenges, agile approach, rapid prototyping, exploiting the digital potential, cross-industry open innovation and promotion of talent and innovative thinking are the key success factors.
Through second half 2019 and first half 2020, the third round of Proof of Concepts was completed, concerning key issues such as the Blockchain, floating renewables hubs, immersive augmented and virtual realities, field operations with "connected" workers and assets, innovative Warehouse management, and optimised estimation and management of $CO_2$ emissions in new projects.
From second half 2020, a new wave of Proof of Concepts has been launched: the key themes included the future world's key infrastructure, artificial intelligence, data transmission from remote sites, plastic circularity, green hydrogen, novel collaborative contracting for megaprojects, innovative project progress management and additive manufacturing (industrial applications of 3D printing).

As regards Open Innovation, leveraging on three new agreements signed with AsterFab, Mind the Bridge and the Startup Intelligence Observatory at Politecnico di Milano, the Factory's team has been continuously exploring the ecosystem of start-ups. Numerous solutions have been identified and connected with Saipem's business through ongoing Proof of Concept projects, or directly through the initiatives of the divisions.
Saipem further expanded its explorative activities in the Open Innovation framework, also by signing a Master Agreement with a major Oil&Gas Company for joint R&D programmes in the field of deep offshore, i.e., for flow assurance, subsea field development, asset integrity, next generation facilities and renewable power generation.

# HUMAN RESOURCES

## Organisation

For Saipem, the year 2020 was characterised by a continuous search for rapid responses to the evolution of the markets and to the complex global context that characterised the entire year, developing initiatives aimed at best grasping the opportunities offered by the reference sector and promptly responding to the request for diversification of the offer, while pursuing the maximisation of efficiency, the improvement of the Company's performance and profitability, the alignment and simplification of the organisational structures and underlying operating models, functional to maintaining a competitive advantage.

Saipem's organisational configuration includes:
- an operational Corporate structure with group-level leadership and control that is responsible for managing issues relating to critical or relevant aspects of corporate governance;
- 5 Divisions – Onshore E&C, Offshore E&C, Onshore Drilling, Offshore Drilling, XSIGHT – each with full responsibility over global business results and with all the decision-making, management and operational powers that are necessary to the pursuit of the targets set;
- a network of operating companies and branches located in the different countries in which Saipem operates, reporting directly to the five Divisions and ensuring the development of commercial and operational activities in the relevant national and international markets.

During 2020, always in line with the compliance requirements and the governance principles of Saipem, as well as the expected trade-off between the "Corporate role" and "level of autonomy of the Divisions", the following main organisational interventions were realized:
- definition of a new organisational structure and operating model of the Chief Financial Officer structure aimed at greater consistency with Saipem's divisional configuration, also through the introduction, in each Division, of dedicated figures for the identification and satisfaction of business administration, finance and control needs;
- reorganisation of the Strategies and M&A activities, in order to pursue a greater focus on the activities for the definition of strategic scenarios, guidelines and policies in support of the Top Management, as well as the optimisation of synergies in the process of evaluating and managing strategic Company operations;
- review of the company ICT/Digital operating model, for the purpose of optimising the effectiveness and efficiency of the dedicated organisation, as well as of the work processes and company skills in the digital field;
- establishment of a supervision dedicated to seizing new opportunities for Saipem in terms of investment choices in the framework of "facilities" for recovery and resilience in the various countries of interest;
- development of the "Simplification and Optimisation of the Saipem Operating Model" initiative, aimed at reducing the organisational and operational complexity of the interactions between Corporate and Divisions and at the same time giving greater accountability and operational autonomy of the Divisions on the activities developed;
- within the Onshore Engineering & Construction Division: (i) definition of operating models enabling the modular approach in the implementation of projects and aimed at an ever-greater integration of engineering and procurement activities; (ii) launch of the "Procurement Excellence Programme" for the identification of the most advanced procurement levers;
- within the Offshore Engineering & Construction Division: definition of the new operating model aimed at dealing with the new challenges determined by the evolution of the competitive scenario and the market context, based on three Business Lines and the optimisation of geographical presence;
- within the Onshore Drilling, Offshore Drilling and XSIGHT Divisions: fine-tuning and alignment of organisational and operational structures, aimed at the continuous search for effectiveness and efficiency, both in Italy and abroad.

## Human Resources Management

During 2020, the Coronavirus epidemic and the consequent emergency scenario led Saipem to develop and implement specific management initiatives in line with the guidelines issued by the World Health Organisation and by local governments and authorities of the countries in which the company operates, aiming at guaranteeing the maximum safeguard and protection of the health of its resources.

With reference to Italy and in all the countries in which the company operates, specific sanitation interventions have been implemented in all offices and operating sites, accompanied by the adoption of programmes, management measures and behaviour procedures, supported by an intense and continuous internal communication campaign, aimed at minimising social interactions, guaranteeing respect of social distancing between people and, where necessary, the adoption of specific personal protective equipment, in compliance with the guidelines provided by the World Health Organisation.

In this perspective, further and specific management actions have been developed both in Italy and abroad, in agreement with trade unions, also in order to ensure more effective measures of personal distancing of workers; furthermore, in regard to international mobility, adjustments were made to the rotations for personnel operating abroad at the different operating sites and on drilling rigs and naval vessels in order to better reconcile them with the travel restrictions and the specific health measures introduced by the various countries following the development of the pandemic. Therefore, management and administration of the expatriation contracts have also been coherently reviewed in order to ensure a more effective correspondence between operational needs and the overall reference context.

In light of the interventions implemented this year for the containment and management of the epidemiological emergency and the consequent impact recorded on the business activities which caused the slowdown and postponement of some projects, the company, in order to ensure the safeguarding of operational efficiency, has launched a cost control plan aimed at containing the costs deriving from business trips, residual individual holidays, overtime hours, also establishing, through specific agreements signed with the trade unions, additional company closing days in the months of August and December. It should also be noted that in the second half of 2020, in line with the cost monitoring actions and as an additional guidance tool for actions aimed at an always more effective cost optimisation, a new IT Facility Management tool was developed to ensure to all entities in the Group more precision in the management and control of the expense items connected to facility activities relating to buildings, business activities and people.

Due to the deterioration of the reference scenario caused by the global health emergency, which led in particular to the temporary reduction of activities and the postponement of some projects related to the drilling sector, it has been necessary to use the COVID-19 Ordinary Redundancy Fund for about 70 workers of the Onshore and Offshore Drilling Divisions who have Ravenna as their recruitment site, through the signing of a specific trade union agreement with the local trade unions.

Consistently, efficiency and rationalization actions became necessary also abroad, using the Redundancy Fund for part of the drilling personnel of Saipem Drilling AS in Norway employed on Scarabeo 8 for the period April-October, as well as, in June, the adhesion of Petrex SA in Peru to the employment suspension plan for part of the drilling operating personnel and its extension to January 2021. Further rationalization actions involved the Saipem entities in Croatia, the United Kingdom and Romania.

| (units) | Average workforce 2019 | Average workforce 2020 |
|---|---|---|
| Offshore Engineering & Construction | 12,935 | 13,261 |
| Onshore Engineering & Construction | 12,344 | 11,649 |
| Offshore Drilling | 1,697 | 1,692 |
| Onshore Drilling | 4,497 | 3,830 |
| Staff positions | 908 | 940 |
| **Total** | **32,381** | **31,372** |
| Italian personnel | 5,763 | 5,862 |
| Other nationalities | 26,618 | 25,510 |
| **Total** | **32,381** | **31,372** |
| Italian personnel under open-ended contract | 5,497 | 5,693 |
| Italian personnel under fixed-term contract | 266 | 168 |
| **Total** | **5,763** | **5,861** |

| (units) | Dec. 31, 2019 | Dec. 31, 2020 |
|---|---|---|
| Number of engineers | 6,137 | 6,360 |
| Number of employees | 32,528 | 29,522 |

The use of smart working, initially experimented in 2019 as part of the pilot project launched with the "FlexAbility" programme and subsequently implemented as an additional management lever aimed at ensuring a more effective measure of containment and protection of the health of our people in regard to the epidemiological emergency recorded in 2020, continues to represent one of the main drivers of change. More specifically, the adoption of a structural smart working model will have to ensure the maximisation of the effectiveness of the company's production and operational processes, also through a synergistic use of technologies and the digitalization and dematerialization of activities, thus allowing the definition of a new work organisation model and ensuring full accountability of resources, also concerning the reorganisation of the work spaces with a view to moving personnel from the offices of San Donato Milanese to the new building starting from 2022.

As part of the epidemiological containment actions described above, the company has in any case adopted a smart working method, widely applied in all countries, involving about 15,000 people and consequently implementing more flexible working hours for a correct management of smart working.

During 2020, Saipem continued the supervision of the construction of the new Santa Giulia Headquarters with a view to an overall rethinking of the functionality of the workplace, conceived to support the evolution of Saipem's Smart Working model and designed to ensure the centrality of the person within the company spaces.

Saipem is studying new solutions to optimize and manage its spaces, seizing the opportunities deriving from the relocation of headquarters by introducing the concepts of Smart Building and services related to the person.

The new concept of the working spaces will help to enhance efficiency and better enjoy the work experience. The Smart Building system aims at optimizing the use of resources such as space, energy, operations and personnel but above all it is a system capable of learning and evolving from what happens (data-driven) and able to provide information and advice to improve people's lives. All of this will be possible thanks to a digital platform which will act as a point of contact between the building's systems and the digital solutions offered to end users. It is precisely this platform what makes the building a "smart" one, acting as a point of contact among users.

The Company recognises the value of international mobility as a means of integrating and developing resources, of transferring critical know-how and as a pivotal tool to support the corporate strategy for the creation of long-term value. The new international mobility policy adopted by the company in the first months of 2020 is characterised by important elements of novelty and discontinuity with the past, capable of paying greater attention not only to purely professional components but also to the sustainability of personal ones both of its own expatriate employees and of their accompanying families, with important innovations in terms of welfare. In this sense, the concept of "family status" was redefined and expanded, and important innovations were introduced in relation to management initiatives to support the partner and any accompanying expatriate children, also with the aim of maximising a work culture that is more participatory and to strengthen the commitment and motivation of its resources.

Starting from January 2020, the process of insourcing of personnel administration activities has been completed through the establishment, within the Services Hub, of a team of expert resources whose responsibility is to provide the related services to the different Division and Corporate structures, as well as to ensure the mandatory obligations are fulfilled. The insourcing of administration activities has been appropriately placed in the broader objective of digitalizing the HR function through the review of certain processes in the area of personnel management and administration, thus introducing significant innovations.

Process innovation has also gone through the radical change of systems, located within the MyHR application. The new administrative management system for Human Resources, the goal of which is to optimise processes and offer the user greater usability of information, always aiming at innovation and simplification. Through the system, Saipem resources can manage attendance and personal information, view their payslip and, using a specific application, report mission expenses in a simple and immediate way through an OCR (Optical Character Recognition) system.

As a further action of human resource management, in order to ensure timely monitoring of the risks relating to the subject of human rights in project realities, a risk register for monitoring and identifying the necessary improvement actions has been prepared in collaboration with the Sustainability function.

## Compensation

The Remuneration Policy Guidelines for 2020 have the objective of attracting, motivating and retaining resources with a high professional and managerial profile, of selectively enhancing skills having greater impact on business results and considered critical for the recovery of margins on projects of particular strategic importance, of encouraging the achievement of strategic targets and sustainable growth of the company, of promoting the alignment of the priority objective of creating sustainable value for shareholders in the medium long term with the interests of management, consistently with the guidelines defined in the Company's Strategic Plan, as well as of promoting the corporate mission and values.

The "Report on Saipem's Remuneration Policy and Paid Compensation" of 2020, in which the Guidelines are illustrated, is drawn up and defined in compliance with current legal and regulatory obligations in compliance with Directive EU 2017/828, Article 123-*ter* of Italian Legislative Decree No. 58 of February 24, 1998, implemented in the Consolidated Law on Finance amended by Italian Legislative Decree No. 49/2019, Article 84-*quater* of the Consob Issuers' Regulation (Resolution No. 11971 of May 14, 1999 and subsequent amendments and additions); as well as in compliance with the recommendations of the Corporate Governance Code for listed companies promoted by Borsa Italiana ("Corporate Governance Code"), in its latest version approved in July 2018 endorsed by Saipem.

The "Report on Saipem's Remuneration Policy and Paid Compensation" of 2020, was approved by the Board of Directors of Saipem on March 12, 2020, and subsequently by the Shareholders' Meeting on April 29, 2020.

The 2020 Remuneration Policy Guidelines envisage, as the main new element, the revision of the Variable Short-Term Incentive Plan (STI) for all managerial resources.

The Plan aims to incentivise the achievement of annual targets, increasing the focus on over-performance, establishes a different percentage of incentives in case of the achievement of performance results at the maximum levels (over-performance). Furthermore, the Plan introduces a mechanism for the deferral of the bonus converted into shares, for a three-year period, with the aim of rewarding the retention and spreading of a corporate culture that enhances the involvement and participation of management in the creation of value for all stakeholders.

During 2020, great attention was also paid to the definition of performance indicators increasingly oriented towards sustainability and ESG issues and to the increase in the incidence of these parameters within the short-term incentive system, with a view to strengthening their solidity and creating value for shareholders.

The deployment of the 2020 corporate targets relating to the Variable Short-Term Incentive Plan has also been carried out and specific division targets were defined, according to a top-down process on the entire managerial population. These targets are consistent with Saipem's strategy, the evolution of the market scenario and new business challenges.

In July 2020, the three-year vesting period for the 2017 allocation of the 2016-2018 Long-Term Incentive Plan came to an end, and following the verification of the achievement of the performance conditions by the Board of Directors, the assignment of matured shares to the CEO and the rest of the beneficiary managerial population took place.

In line with the 2020 Remuneration Policy Guidelines, in October, Saipem implemented the second allocation of the 2019 2021 Share-based Variable Long-Term Incentive Plan (LTI) envisaged for all managerial resources. The Plan provides for the free assignment of Saipem SpA ordinary shares (performance shares) upon the occurrence of performance conditions, relating to business targets and the performance of the Saipem stock, measured at the end of the three-year reference period. On October 27, 2020 the Board of Directors approved the number of treasury shares serving the 2020 Allocation Plan for a maximum number of 17,090,920.

The year 2020 was characterised by a world scenario suddenly hit by the COVID-19 emergency, which gave rise to a general situation of uncertainty on the markets, with effects not yet directly quantifiable for Saipem. Despite the market context, Saipem has shown the resilience qualities that distinguish it as a global company of excellence, also thanks to a remuneration system capable of ensuring full alignment with investors' expectations.

In consideration of the particular global reference scenario, a general rethinking of the Remuneration Policy Guidelines became necessary, in line with the broader cost saving programme defined at company level. With a view to containing spending, the Remuneration Policy for managerial resources has been suspended. For non-managerial resources, operating in particular abroad, a specific approach has been adopted that involves the use of targeted and mandatory interventions in the face of contractual obligations or regulatory constraints, developed in line with the need to contain the expected expenditure. The divisions have limited the use of retention plans and project incentive bonuses, to support the business strategy and the motivation of the resources holding technical-specialist and/or developing skills, only to cases functional to achieving the objectives of the strategic plan and project targets, while keeping the attention on the dynamics of increase in labour costs.

## Quality

Within the definition, implementation and management of the Quality Management System and the related development, measurement, analysis and continuous improvement processes, the following activities have been developed:
- management and maintenance of certifications of Company interest (ISO 9001 and, for the Fabrication Yard of Arbatax, ISO 3834-2 and EN 1090-2); expansion of the articulation of the "Multisite" ISO 9001 certification scheme, integrating new entities;
- introduction of elements functional to strengthen the Corporate steering and control role and to monitor the development of the Quality System activities at Group level (rationalization of controls dashboard, structuring of assessment and self-assessment, etc.);
- optimisation of methodologies and tools to support the Quality Functions, Company Management and the various Saipem entities for effective Quality management at system and project level;
- continuous improvement of the Quality Assurance and Control processes in the Projects, aimed at guaranteeing a more effective, efficient and systematic application of the Company Quality Management System on the individual businesses;

- optimisation of the Performance Indicators system, through the identification of significant indicators in synergy with those of other disciplines and the simplification of the process of detection, collection and analysis of the same;
- identification of innovative digital solutions aimed at simplifying the management of the internal auditing and reporting (self-assessment) process of the various Group entities;
- launch of an analysis aimed at optimising the Customer Satisfaction methodology, pursuing objectives of effectiveness and greater consistency with the peculiarities of each business;
- optimisation of management and use services of international technical standards at Group level, aimed at seizing the needs of the business and making the most of the potential offered by the market.

## Cyber Security

The year 2020 saw worldwide attention focused on the Coronavirus pandemic. Saipem has focused on protecting the health of the workforce, while maintaining its operational capabilities.

An analysis was carried out of the potential impact of the Coronavirus pandemic on the operating environment in most of the countries where Saipem operates.

As the virus spread globally, countries imposed increasingly stringent measures to limit further circulation. These restrictions essentially provided for the closure of internal/external borders and of entire segments of national industries.

In this sense, it became necessary to monitor the security conditions of the countries in which Saipem operates and the restrictions on travel with the aim of sharing reports and guidelines with Saipem people. SECUR has maintained close contacts with the local authorities/embassies in the countries where Saipem operates, and at central level with the Crisis Unit of the Italian Ministry of Foreign Affairs, contributing to the organisation of charter flights and assistance for personnel who, despite the restrictions in place, continued to travel to work sites.

At the same time, SECUR has taken steps to ensure proper information to all those who travel for work, in Italy and abroad, about the restrictions introduced in the various countries due to COVID-19, through the TMS (Travel Management System).

The current phase of work remotisation, characterised by the measures adopted to combat the COVID-19 epidemic, has created the conditions for an increase in cyber threats, with hackers leveraging on the isolation of workers and their workstations and seeking to exploit vulnerabilities.

In Saipem, Cyber risk management is entrusted to the corporate Security function, through a dedicated Cyber Security structure, which is divided into Cyber Design & Resilience, Cyber Detect & Response and finally Cyber Governance.
That risk is identified and reported to Enterprise Risk Management for monitoring by the Control and Risks Committee of the Board.
Saipem security position is also constantly monitored by third-party services, like BitSight, which independently review the public information available and calculate a Security Score rating. At the end of 2020, the Security Score assigned to Saipem was 730 out of 900, starting from a score at the beginning of the year of 490.
Saipem also started the certification process under ISO/IEC 27001, for "Cyber security events monitoring and incidents management". We believe we will obtain the certification in the first quarter of 2021.
During 2020, together with the HR functions, an extensive training plan was prepared and administered to more than 1,000 employees. The training will continue in 2021 to include most of Saipem staff. The training course uses contents offered on the Proofpoint PSAT platform, covering topics such as malware defence, credentials protection, phishing detection and reporting and secure navigation. We believe that the development of awareness and of a culture of cyber security in the corporate population represents a value as it helps to reduce employees' behaviours that may unknowingly expose the corporate information assets to threats of destruction or misappropriation.

To respond to the changed working conditions described above, Saipem has embraced the new "Zero trust" orientation, which is based on the basic concept of no longer being able to consider corporate networks safe, as a significant part of the software tools is now positioned in the Cloud, outside the company boundaries, and the workstations are in the majority of cases, especially in the pandemic situation, located outside the offices. A variety of technical solutions were thus introduced in 2020 which, in line with the new "Zero trust" paradigm, made it possible to increase control over the resources exposed on the Internet, reducing the risk of exposure and increasing monitoring capacity of cyber threats associated with remote work.

Numerous further actions were also completed in 2020, in line with the two-year security Master Plan 2020-2021:
- implementation of a CERT (Computer Emergency Response Team) function in Saipem, to ensure the ability to identify cyber threats (detect) and promptly apply mitigation and remedial actions (response), in coordination with the Security Operations function of the Services Centre;

- launch of an awareness campaign on phishing, with the help of the CERT (Computer Emergency Response Team), for the analysis of any events;
- signing of a cooperation protocol with the National Cybercrime Centre for the Protection of Critical Infrastructures (CNAIPIC), in charge of the prevention and repression of computer crimes which have as their objective the computerized infrastructures of a critical nature and of national importance; this protocol is in addition to the one already in place since 2019 signed with the Department of Information for Security (DIS), under the aegis of the Prime Minister;
- renewal of an insurance policy dedicated to covering cyber risks, in particular to cover what concerns possible damages suffered, as well as those caused to third parties;
- drafting of numerous regulatory documents that define the cyber security policy to be followed any time software or hardware systems are implemented and in every integration with external applications;
- adoption of security strengthening measures for the management of administrative credentials with high privileges, for the single-sign-on process and for remote access to company resources;
- introduction of new tools to support the vulnerability management process, for the execution of regular campaigns to detect the presence of vulnerabilities in corporate information systems and infrastructures.

In order to define the new IT Disaster Recovery strategy, a new Cyber Risk Assessment procedure was perfected together with ERM. Using that procedure, in 2021 we will conduct the Business Impact Analysis (BIA) on the company applications in order to identify the requirements to be used as a basis for the new IT Disaster Recovery plan, where we will include the architectural changes made during the cloud transition.

# DIGITAL, ICT SERVICES

2020 was a very challenging year for the Digital activities and ICT services area. The unexpected dual challenge of the COVID-19 pandemic and the oil market falls required some focused attention and, as a team, we were able to address it by investing in technologies (collaboration tools, for example) and people (flexibility programme) used in the past, which proved to be extremely valuable during the emergency.

From a management point of view, two directions were followed and are still in place:
- re-phasing of the digital programme in order to guarantee a sustainable level of expenditure for 2020;
- increased level of adoption of remotely usable services.

On the first point, the entire programme of transformation, as approved by the Board in February 2020 was confirmed, and reviewed in terms of priority and launching the planned initiatives.
As regards the main projects launched, we have confirmed and maintained a continual rate of transformation for all initiatives that relate to cluster 1, EPC Integration Model, which is key for our core business. In December 2020, two waves for the development of EPC digital solutions were completed, involving 3 EPC divisions for a total of 8 use cases, 4 of which are being adopted in our projects and 4 which are in the business test phase.

In brief, the targeted areas are:
- activities relating to the integrated visibility of the Supply Chain supporting contracted projects;
- optimised, assisted management of contractual variations and requirements;
- re-motisation of the inspection activities;
- interaction in the "vendor data" and "document management" areas;
- introduction of a solution supporting the AWP (Advanced Work Package) construction methodology.

For these solutions, the test phases have been completed and they are expected to be adopted progressively in production from the first quarter of 2021.

In relation to the digitalisation of our assets (Cluster 3, Digital Assets), we have designed and implemented our IoT (Internet of Things) platform, based on commercially available technologies, and we have launched our fleet modernisation plan. We expect this initiative will allow us to increase the level of governance of the data generated by our assets and the number of use cases on which we can apply advanced data analysis and management techniques (e.g., predictive maintenance, fuel management, productivity management). So far, a first pilot project has been completed relating to a fuel consumption control application on one of our vessels (FDS 2) and we have drafted a scale-up plan consistent with our vessel use plan.

In the corporate area, we have launched, and in several cases completed, a number of digital initiatives, including:
- adoption of Office Collaboration tools, with the support of the Change Management function;
- launch of vendor feedback management platforms for staff positions, including HSE, Procurement and Insurance;
- dematerialisation of selected internal authorisation flows;
- introduction of new people care services on a specific platform;
- introduction of systems for recruiting external human resources supporting contracted projects;
- launch of a new portal for digital topics;
- launch of the Smartphone Adoption plan, aiming to extend the activities that can be managed in mobility;
- study of the prototype for implementing new internal communication portals;
- mapping of digital skills and review of roles and expected performances;
- revision of the ICT/Digital family operational model;
- introduction of a tool supporting the new digital demand collection and management process;
- introduction of tools for managing smart working 2.0;
- launch of the digital platform design and of digital solutions for the workplace and the new Saipem SpA smart building.

The development of the ERP system, on the other hand, is still on stand-by; this decision was necessary in order to give priority to the management of the current emergency situation and the need to focus on other priorities, such as guaranteeing personnel safety and business continuity.

On the second point, the response to the emergency was prompt and effective and saw the activation of all management, technological and operating resources available at the time and, in some cases, it led to the acceleration of transformation in progress (e.g. moving from desktops to laptops), the scaling up of services (e.g. infrastructure and networking) and the introduction of new technologies (e.g. thermal scanners).

This scenario clearly tested the technological investment (e.g., movement to the cloud, massive introduction of collaboration tools) and the introduction of a recently introduced and continually improved outsourcing model. Essential in this scenario is the support of all technological partners, the new working methods and especially the capacity of all people involved to draw on the most profound resources of adaptability, creativity and ingenuity.

It is worth highlighting how it is only thanks to the huge efforts of the ICT services that it was possible to guarantee continuity of the digital transformation and to learn and appreciate the new ways of working remotely. In this respect, we provide here data which represents the use of the "Agile" methodology for the design and development of solutions in an EPC Integration and Digital Asset environment in remote-working mode.

Today these solutions are about to be tested on our more complex projects to bring the expected benefits immediately.

In the light of this recent experience, in the Digital sphere we confirmed and are working on what was already set up in 2019. Digital/ICT activities were divided into four areas operating globally: the Corporate Digital Transformation function, focused on maximising the level of Digitalisation in Saipem; the Corporate ICT Services Centre, to support ordinary infrastructure management and ICT applications; for each division, a Digital/ICT function for monitoring the Digital and ICT demand coming from the business; and finally, the introduction of an autonomous and independent department dedicated to the management of Cyber security.

It is still true that this structure places emphasis on the Group's digital transformation initiatives, which have been identified through the divisions, concentrating the Digital/ICT steering and management activities in the Digital Transformation function and the support to the internal information system maintenance in the ICT Services Centre, while dedicating resources to the prevention and management of technological risk.

In strategic terms, Saipem has restated the validity of a multiannual Digital Transformation programme aiming to maximise the adoption of the digital technologies required for its business processes on its assets and new service lines.

The Digital Transformation programme, let's recall, sets three macro-objectives:
- bringing the impact of the digital initiatives defined by the business or needed to improve process effectiveness up to scale;
- enabling synergies and opportunities to be implemented throughout Saipem;
- accelerating the implementation of the initiatives.

The digital programme objectives are being pursued by: (a) exploiting digital solutions and innovative technologies, capturing industrial solutions as far as possible; (b) guaranteeing that all divisions increase their competitive advantage; (c) exploiting all the synergies and opportunities of "cross-fertilisation"; (d) offering greater value, services and benefits to its clients.

Saipem has set up a specific governance board for the Digital Transformation programme, headed by the Chief Executive Officer, with the participation of the business and corporate directors at decision-making level and supported by a Digital Control Tower body, which monitors the day-to-day development of the programme and steers the Delivery Platforms (multidisciplinary teams) in their implementation of the initiatives.

It should be remembered that the digital programme initiatives (around 220, in addition to the conventional ICT demand), were gathered "bottom-up" and then analysed and aggregated into uniform groups (clusters) in relation to the referred functional and technological drivers. The clusters were prioritised using value logics (business cases) and specific staffing opportunities using the best resources available. Following an in-depth decision-making process, a first wave of digital initiative implementation focused mainly on the digitalisation of the core business, and specifically, as of the date of preparation of this report, activities have started in the following fields:
- *EPC Integration Model*, designed to improve the efficiency of core processes by digitalising the whole project life cycle, from feed to the engineering, procurement and construction cycle;
- *Digital Drilling Ops & Asset Management*, focused on improving the availability of our assets, reducing down times and increasing safety;
- *Transversal Corporate*, focusing on the transformation of staff processes in HSE, HR, Supply Chain, Procurement, Finance and General Services.

In the medium term, the other priority clusters are also expected to be re-started, focusing on digital cooperation with our clients, intelligent fleet management and other initiatives concentrated on data enhancement and the digital enhancement of our innovative technologies.

In parallel, the Digital Transformation function is implementing the roadmap of technological transformation, aiming to rationalise and modernise its ICT assets (e.g., applications, platforms, architectures and infrastructure); this initiative is understood as a key enabler of the Digital programme described above.

In relation to the programme challenges, it is worth remembering the most significant and the actions underway or being studied in order to manage these:

- *Capacity and capabilities:* to guarantee the success of the programme, valuable resources must be dedicated and new competences acquired. In this respect, under consideration is the opportunity to make recourse to selected partners and vendors to support the programme implementation, as well as the acquisition of new competences, balancing the future growth of the organisation consistently with the characteristic cyclical nature of the business;
- *Change Management:* in this respect the Digital Transformation function has set up a specific unit, which will act as the orchestrator of change, implementing all the actions deemed useful for increasing the level of engagement and the adoption of new technologies;
- *Digital Architecture:* in this respect the Digital Transformation function has planned the introduction of a function for the development of application, data and infrastructural architectures.

Finally, it is also worth remembering some of the results achieved in 2020, and today fully operational: (a) the Customer Relationship Management platform was successfully introduced in the XSIGHT, Offshore E&C and Onshore E&C divisions; (b) detachment from the Eni systems was completed in the payroll, attendance management, expense accounts and ancillary HR administration services fields. This programme of initiatives was also the first experience supported entirely by a change management programme involving over 6,000 people in Italy; (c) the platform supporting the HSE function was transformed to full-digital; (d) new professional figures joined the Digital Transformation team, with a 30% increase in the number of resources, confirming the recruitment trend for the coming years; (e) the agile methodology was introduced in two business clusters, involving around 50 persons full time and training around 90 persons in specific master-classes; (f) the global programme began for the adoption of productivity tools in the O365 field, actively involving approximately 10,000 resources today on the use of office collaboration systems; (g) the re-design of the operational model and Digital/ICT processes began, aiming to strengthen the current ones and increase the probability of success of the whole Digital programme, also through the publication and adoption of a new Management System Guideline (MSG); (h) active participation was seen in several national and international events on digital transformation; (i) the review of ICT/Digital roles and skills began and was completed, mapping the digital skills of a population of around 14,000 Saipem resources; (l) a new digital portal (BeDigital) was introduced; (m) the design of a structured demand collection and management process began; (n) new HCM systems to support the HR digital transformation process and new tools for managing smart working 2.0 (attendance management and feedback) were assessed; (o) the design of the digital platform for the new Saipem Spa smart building was launched.

The transformation of the geographic network of international connections, as well as of the local ICT services for foreign associated companies continues, as it does for current project sites and those in the process of acquisition. In this respect, consistently with the new cyber policies, new infrastructural, architectural and operational models have been identified to support the correct definition of the services required for the projects in developing or typically difficult areas.

The transformation of management and business applications included in the scope of work of the IT Adaptive Sourcing project has been completed. The process of continuous improvement goes on.

The extension of the new model is being adopted on Saipem fleet vessels with particular attention to the design aspects dictated by Cyber Security and with a significant contractual discontinuity in the satellite connectivity field, aiming to improve the service, increase the bandwidth and obtain greater operational flexibility.

Traditional Digital/ICT initiatives have been set up to revolve around the strategic need to develop a data-centric approach to business and a complete digitalisation of corporate work processes. Developments in the sphere of business were oriented on the one hand towards the automation of processes, according to a transformation approach called Project Information Management, which was introduced as a joint initiative for group improvement and made available to the Divisions' Engineering, Project Management, Quality and Construction functions, and on the other hand towards the enhancement of the group data assets, by adopting innovative Big Data solutions which have already been moved to Cloud Azure, in order to make use of greater storage and computing power.

New initiatives have been started in the infrastructural area as regards the tools for optimising and managing centralised infrastructures, with which numerous areas of technical analysis were covered for correct analysis, configuration and management of IT systems.

Governance activities and compliance and security processes were all carried out successfully according to schedule during the year.

# GOVERNANCE

**"Corporate Governance and Shareholding Structure Report 2020"** (the "Report") pursuant to Article 123-*bis* of the Consolidated Finance Act has been prepared as a separate document, approved by the Board of Directors on March 12, 2021, and published on Saipem's website at www.saipem.com under the section "Governance".
The Report was prepared in accordance with the criteria contained in the "Format for Corporate Governance and Shareholding Structure Reporting - 8th Edition (January 2019)" published by Borsa Italiana SpA and in the Corporate Governance Code (July 2018). In line with the provisions of the new Corporate Governance Code, adopted by Saipem with a decision of the Board of Directors on December 17, 2020, the issuers have been asked to apply the new provisions from the first financial year starting after December 31, 2020, informing the market in the Corporate Governance and Shareholding Structure Report to be published in 2022.
The Report provides a general and complete framework of the corporate governance system adopted by Saipem SpA. It illustrates the Company profile and its underlying principles; it provides information on the shareholding structure and the subscription to the Corporate Governance Code (July 2018), including the main governance practices applied and the key features of the internal control and risk management system; it contains a detailed description of the operation and composition of the administration and control bodies and their committees, also in view of the diversity policies adopted by Saipem and the policies of equal access to administration and control bodies of listed companies. A detailed description of the roles, responsibilities and skills attributed to the administration and control bodies of the Company is also provided in the Report.
The Report also provides information on procedures adopted with regard to "Transactions involving interests held by Board Directors and Statutory Auditors and transactions with related parties", which can be consulted on Saipem's website under the section "Governance", as well as on the communication policy adopted for institutional investors and shareholders, the processing of company information, and the internal management and disclosure of Company documents and information to third parties, with particular reference to significant inside information (Market Abuse - Internal Dealing and Insider Registry procedure).

The criteria applied for determining the remuneration of Directors are illustrated in the **"2021 Report on Saipem's Remuneration Policy and Paid Compensation"**, drafted in accordance with Article 123-*ter* of Italian Legislative Decree No. 58/1998 and Article 84-*quater* of the Consob Issuers Regulation. The Report is published in the "Governance" section of Saipem's website.

# RISK MANAGEMENT

Saipem implements and maintains an adequate system of internal control and risk management, composed of instruments, organisational structures and procedures designed to safeguard Group assets and ensure the effectiveness and efficiency of internal processes, reliable financial reporting, as well as compliance with laws and regulations, the Articles of Association and Group procedures. To this end, Saipem has adopted and developed over time an Enterprise Risk Management model that constitutes an integral part of its internal control and risk management system. This model has done this with the aim of obtaining an organic and overall vision of the main risks for the Group that may impact strategic and management objectives, ensuring greater consistency of methodologies and tools to support risk management, and strengthening awareness, at all levels, of the fact that an adequate identification, assessment and management of risks may impact on the achievement of objectives and on the Group's value.

The structure of Saipem's internal control system, which is an integral part of the Group's organisational and management model, assigns specific roles to the Group's management bodies, compliance committees, control bodies, group management and all personnel. It is based on the principles contained in the Code of Ethics and the Corporate Governance Code, as well as on applicable legislation, the "CoSO Report" and national and international best practices.

Additional information on the internal control system and risk management, including details concerning its architecture, instruments and design, as well as the roles, responsibilities and duties of its key actors, is contained in the "Corporate Governance Report and Shareholding Structure" document.

The Saipem Enterprise Risk Management model provides for the identification, assessment and analysis of risks on a half-yearly basis at the Group, Corporate and division level and for the subsidiaries that are strategically relevant, which are identified on the basis of economic-financial and qualitative parameters. Risk assessment is performed by Saipem management through meetings and workshops coordinated by the Corporate and division Enterprise Risk Management functions. In particular, risk assessment is performed by assessing in detail the risk events that could impact Saipem's strategic and management objectives, taking into account the changes in the business and organisation model and Group procedures, developments in the external environment (specifically, political, economic, social, technological and legal aspects) and the relevant industry and competitors.

Furthermore, Saipem has developed a process to monitor the Group's main risks on a quarterly basis through specific monitoring indicators on the evolution of risk and related mitigation activities.

Starting from the analysis of materiality carried out by the Sustainability function (more information on this tool can be found in the specific, detailed section in the "Consolidated Non-Financial Statement"), a focus group was introduced to identify the main themes which, according to Saipem's senior managers, are the most risky for the Group and to assess the potential impact they may have.

Saipem is exposed to strategic, operational and external risk factors that may be associated with both business activities and the business sector in which it operates. The occurrence of such risks could have negative effects on the Group's business and operations and on the financial position, performance and cash flows of the Group. The following are the main risk factors identified, analysed, assessed and managed by Saipem management.

These risk factors have been assessed by management for each individual risk in the framework of drafting the financial statements and, where deemed necessary, the possible liability was provided for in an appropriate provision. See the "Notes to the consolidated financial statements" for information on liabilities for risks provided for and the section "Guarantees, commitments and risks - Legal proceedings" in the "Notes to the consolidated financial statements" for the most significant legal proceedings.

As far as the outbreak of the COVID-19 pandemic globally, first of all it exposed internal and external staff to the risk of infection and consequent disease, not yet known, affecting (even seriously) their personal health and the health of their family, and it made it impossible to reach the place of work (offices and operating sites) and travel for work. As a result, in a number of cases, this pandemic has caused slowdowns of projects in the execution phase and also of commercial tenders with clients.

The pandemic also brought about a significant reduction in oil prices on the international markets, mainly due to the abrupt drop in consumption that followed the increasingly strict provisions adopted by several governments to slow the spread of the disease. The volatility of oil prices then increased even further by effect of the "price war" between the main oil-producing countries.

Lastly, it has been seen that the COVID-19 pandemic and consequent economic effects have led to an increase in political, social and economic instability in a number of the geographical areas in which the Group has offices and operating sites.

In the short term, Saipem has implemented specific treatment actions to reduce the impacts of the COVID-19 pandemic, such as: activation of the crisis response protocol, creation of a task force devoted to constant monitoring of the developments and escalation of the virus, and the identification of solutions to protect internal and external personnel and inform the entire Saipem staff in order to guarantee the maximum health and safety of the employees, clients and suppliers, in compliance with the indications provided by the Italian Ministry of Health and the Regions involved in the countries in which Saipem operates. In particular, the Group has provided to sanitise the workplaces and to draw up detailed protocols on the behavioural standards and best practices for the personnel and management.

Saipem promptly adopted the smart working method for a significant number of its employees, cancelling or reducing to a minimum the business travels to and from the zones stricken by the epidemic, and has protected all the personnel deemed at greatest risk in the countries most exposed to the pandemic, while maintaining the continuity of the business unchanged.
Within the scope of the analysis of the possible effects of the COVID-19 pandemic ("Coronavirus"), undertaken early in 2020 and still in progress due to the continuous evolution of the phenomenon, Saipem has identified, assessed and constantly monitored these effects at the level of every project currently under way.
As of January 11, 2021, more than 85% of the active risks linked to the COVID-19 pandemic had been quantified, and the expected value of these risks today amounts to about 1.5% of the total expected value of all risks associated to Saipem projects, down from the value communicated in the first half of the year 2020, due to the increase in the estimated value of opportunities (positive risk side) offered by the projects (e.g., potential contract re-negotiations) and a partial reduction in the estimated value of risks (negative risk side) associated to Saipem projects.
The geographical areas in which the greatest exposure to risk has been recorded, though with differentiated situations depending on the divisions, are Saudi Arabia, Europe, Russia, the Caspian Sea and Western Africa.
To link all this with what has been written thus far, the impacts of the COVID-19 pandemic are indicated in the sections devoted to the individual risk factors, while the paragraph "Financial and economic results" includes the specific disclosure required for compliance with ESMA (European Securities and Markets Authority).

### List of risks

1. Risks related to strategic positioning
2. Legal risks
3. Risks related to commercial positioning
4. Financial risks
5. Risks related to technological development
6. Risks related to health, safety and the environment
7. Risks related to profit margins
8. Digital and IT risks
9. Risks related to the supply chain
10. Risks related to business processes
11. Risks related to political, social and economic instability
12. Business integrity risks
13. Cyber risks
14. Risks related to human resources

## 1. Risks related to strategic positioning

### Description and impact

The definition of strategies implemented by Saipem is based on analysis of macroeconomic and geopolitical scenarios and the relevant markets and the technological developments applied to them. Saipem operates in an industry strongly characterised by strategic changes, also through the ever greater concentration of competitors via mergers and acquisitions and the creation of joint ventures and alliances locally or internationally, as well as technology developments in services that are of interest to Saipem.
Furthermore, Saipem's strategic positioning can be influenced by changes in client requests and in general by changes in demand in the reference sectors (including the energy transition).
Therefore, Saipem is exposed to various kinds of risks, linked to its strategic positioning in both conventional services in the energy sector, particularly Oil&Gas, and in energy transition services, which in recent years have already emerged and will continue to play an increasingly important role in Saipem's short- and long-term strategic positioning.
In particular, changes linked to climate change and the consequent interventions are leading to a gradual shift from current energy sources (particularly oil, whose global demand is considerably reduced, also due to the COVID-19 pandemic) towards renewable sources.
The energy industry is in fact facing unprecedented pressure to show that its business model is compatible with the greenhouse gas emission reduction targets set out in the Paris Agreement on climate change. Climate change can have significant direct and indirect impacts on business operations: working in the energy sector, Saipem's business activities are intrinsically exposed to both physical climate risks and those related to the current energy transition.
Inadequate forecasts of the evolution of these scenarios, as well as the incorrect or delayed implementation of identified strategies, may expose the Group to the risk of not being able to adjust the asset portfolio and therefore its competitive positioning in the current energy transition in relation to the changes in scenarios.
Therefore, these risks potentially could result in a deterioration of strategic positioning within the sector, reducing market shares and the Group's margins. In addition, Saipem is exposed to risks linked to specific strategically significant geographical markets which may present a range of diverse peculiarities.
Finally, this context can lead to the risk of concentration on some clients, in some geographic areas or on some products.

### Mitigation
In order to ensure a strengthening of the Group's competitive positioning, in line with the changing strategies of the industry and the ever-changing competition, Saipem implemented a divisional business model.
In particular, the Group always strives to go beyond the limits of innovation to create valuable relations with its clients and guide them toward the future of energy, while respecting the values and professional ethics of Saipem.
Saipem avails itself of companies which are specialised in providing periodic analyses and estimates on relevant market segment trends and on macroeconomic, geopolitical and technological developments.
Furthermore, the Group created the Sustainability, Scenarios and Governance Committee, which is responsible for assisting the Board of Directors in its review and development of scenarios in order to prepare strategies.
Today, the fight against climate change is the main challenge not only for the energy sector but for society as a whole, and is therefore considered an integral part of Saipem's business model.
The strategy for fighting climate change is based firstly on the scenario analyses at 2050, drafted to identify the macro-trends and key drivers in the energy sector in terms of technologies, policies, legislation, socio-political aspects, etc., and how these will affect Saipem's business. These scenarios are updated at least annually and the results are presented to the Board of Directors and the Top Management in order to be developed in strategic guidelines.
Saipem's climate strategy includes a significant commitment to reducing dependence on fossil fuels, offering increasingly sustainable solutions to clients, investing in renewable technologies, developing more sustainable uses of fossil fuels and diversifying its activities (installation of offshore wind farms, development of technologies for producing energy from waste or raw scrap, implementation of solutions for the use of natural gas and systems that can limit the impacts deriving from the extraction, transport and use of fossil fuels).
To ensure that Saipem's strategic positioning is strengthened, the Group management pursues business opportunities with a broad focus on the various clients in the energy sector (International Oil Companies, National Oil Companies, Independents, Utilities), with a global perspective on the reference markets and with a broad portfolio of products in Oil&Gas, renewable energy and infrastructure (specifically high speed trains), maintaining a continuous focus on the pursuit of a gradual business shift to exploit the opportunities offered by the energy transition.
Saipem is working to research solutions in line with market demands and, at the same time, which aim to be as carbon-neutral as possible. In its capacity as a global service provider, Saipem plays an important enabling role in the transition from a fossil fuel-based economy to a "decarbonised" economy.
In this context, Saipem's strategic priorities are orienting its business, on the one hand towards an overall reduction in greenhouse gas emissions and a general increase in efficiency, and on the other towards the development of the digital and human capital, which will lead to a more efficient productivity, changing our way of managing and tackling engineering and construction projects (more information is available on the company website in the specific section "Sustainable value" and in the document "Leading the path to energy transition", published in October 2020).

## 2. Legal risks

### Description and impact
The Group is currently a party in judicial, civil, tax proceedings, in Italy and abroad, and in administrative legal proceedings.
Given the intrinsic and unavoidable risk that characterises legal proceedings, while the Group has carried out the necessary assessments, including on the basis of applicable reporting standards, it is not possible to exclude the possibility that the Group might in future have to face payments for damages not covered by the provision for legal proceedings, or which are covered insufficiently, or which are uninsured, or which are of an amount greater than the maximum sum that may have been insured. Furthermore, in relation to legal proceedings brought by the Group, should it not be possible to settle the disputes by means of negotiation, the Group may have to bear further costs associated with the length of court hearings.
In addition, the progress of legal and tax proceedings exposes Saipem to potential impacts on its image and reputation in the mass media or with clients and partners.

### Mitigation
In order to maximise the mitigation of these risks, Saipem not only implements actions aiming to constantly strengthen its internal control system, but also makes use of specialised external consultants who assist the Group in judicial, civil, tax or administrative proceedings. Furthermore, the Board of Directors of Saipem monitors the evolution of the main legal proceedings in an active and continuous manner.

## 3. Risks related to commercial positioning

### Description and impact
The market context is characterised by the persistence of extremely volatile oil prices in international markets. The price trend of raw materials such as oil and natural gas is highly volatile and unpredictable for various reasons, which are often interconnected and/or interdependent (such as, for example, economic, political and social factors, wars,

terrorist attacks, changes in demand, technological evolution, energy transition, etc.). This condition influences the investment policies of the main clients in the oil sector, exposing Saipem to: (i) delays in the negotiation process and possible non award of commercial initiatives relating to future projects; (ii) cancellation and suspension of projects already under way (whether EPCI lump sum or Drilling and value added engineering services contracts); (iii) delays and difficulties in obtaining payment of contractual penalties provided for to indemnify the Group against the cancellation and suspension of such contracts; (iv) strengthening of the level of aggression in commercial strategies by competitors; (v) delays and difficulties in obtaining change orders for the scope of work requested by the client and executed by Saipem; (vi) delays and difficulties by the clients in renewing contracts for onshore and offshore drilling fleets prior to the expiry thereof and under economically advantageous terms and conditions; (vii) claims and arbitration and international disputes in the most significant cases.
Moreover, during 2020, the COVID-19 pandemic further destabilised many industrial sectors at a global level, including the energy sector, and this has had a negative impact on the commercial positioning of Saipem on the Offshore and Onshore Engineering & Construction market of energy and infrastructures, Offshore and Onshore Drilling and engineering with high added value.
For this reason, Saipem is exposed to the risk of failing to strengthen or even weakening its commercial positioning, particularly with regard to certain specific product lines or geographical areas, with consequent economic-financial and reputational impacts.
Finally, cases of negative performance could lead to claims and even arbitration proceedings and disputes with the clients and also with suppliers and subcontractors of Saipem.

#### Mitigation
In order to mitigate the impact of a possible reduction in CAPEX investments above all in the oil sector by its clients, Saipem has developed a new business model based on five Divisions: Offshore Engineering & Construction, Onshore Engineering & Construction, Offshore Drilling, Onshore Drilling and XSIGHT (dedicated to high added value engineering services). In addition, the Group has taken steps to expand its client and geographic market portfolio and to enter additional or alternative business sectors, such as: (i) maintenance and optimisation of existing rigs (MMOs) which are related to investments in OPEX in the energy sector; (ii) rigs for renewable sources (in particular, wind, solar); (iii) carbon capture projects; (iv) construction of pipelines and water networks for civil use and other industries (for example in the mining industry); (v) dismantling of oil platforms, including plug & abandonment activities; (vi) construction of high-speed railway lines; (vii) high value engineering services in the energy industry in general (including renewable energy).
Indeed, Saipem has, for some time, implemented a programme of constant updating of its skills and renewal of its assets, with a view to speeding and facilitating its entry into the field of renewable energy, a growth sector that sees all the great international players increasingly focused on the issues of sustainability, climate change and reduction of environmental impacts.
Finally, the risks of commercial positioning are mitigated through the establishment of partnerships and operations of strategic and technological value with particular concentration on energy transition.

## 4. Financial risks

#### Description and impact
The volatility of market conditions and the possible deterioration of the financial position of clients can cause delays in both payments from the clients for the services provided based on the contractual provisions and acknowledgement and payment of change orders and claims relating to contracts under execution. These cash flow fluctuations may occur despite the fact that the contractor and client cooperate in the search for an agreement that satisfies both parties, with the aim of not compromising the correct performance of works and of not delaying the completion of the project. Therefore, Saipem is exposed to the risk of deterioration of working capital, which could lead to economic and financial impacts, as well as a deterioration of the reputation in the industry and in the financial markets.
Furthermore, the Group is exposed to numerous financial risks: (i) fluctuations in interest rates and exchange rates of foreign currency, as well as the volatility of prices for commodities such as copper and aluminium; (ii) the credit risk deriving from the possible default of a counterparty; (iii) the liquidity risk deriving from the lack of adequate financial resources to face short-term commitments; (iv) the risks connected with the issuance of the bank guarantees required by operating activities; (v) the risk of a downgrading of the credit rating by the main rating agencies; (vi) the loss or limitation of insurance coverage for the country risk, the risk of war and terrorist attacks on onshore assets, and the pandemic risk.
See the "Notes to the consolidated financial statements" for the specific information on financial risk management.
Furthermore, changes to national tax systems, tax incentives, rulings with tax authorities, international tax treaties and, in addition, risks associated with their application and interpretation in the countries where the Group's companies operate expose Saipem to tax risks, which could lead to fiscal disputes in certain countries (particularly those whose economies are most exposed to the deterioration of oil prices on the international markets).
Furthermore, the difficulties in obtaining adequate insurance cover for the risks linked to wars and terrorist attacks (with particular reference to the Group assets related to Onshore activities), pandemic risks and environmental risks could lead to economic/financial losses.

The risks of a financial nature are negatively affected by the COVID-19 pandemic, causing a potential worsening of the financial stress scenarios, which could be due to a deterioration of liquidity in general, delays in payments by clients, and the slowdown of operations on projects that would delay the relative invoicing to the clients.
In particular, any worsening of Saipem's credit rating could lead to an increase in interest rates, higher costs for obtaining bank guarantees and greater difficulties in refinancing the Group debt.

**Mitigation**
The Group has adopted various techniques to implement with clients beginning from the negotiation phase with the aim of achieving the most favourable conditions, such as contractually agreed advance payments, and of monitoring its contracts through stringent procedures to obtain the certifications necessary to proceed to invoicing, or by constant reporting all changes to contract or project execution to the client, so as to maintain positive or neutral cash flows during the various phases of the project execution; in addition, the fluctuation of net working capital is constantly monitored by the Group, and the top management is actively engaged in mitigating any situations that could have an impact on the Company's net working capital.
Saipem constantly monitors changes in tax regulations and compliance with them in order to minimise the impacts due to its operating activities in all countries of interest through internal resources and tax consultants.
Furthermore, the Group monitors the developments in the insurance market through a vast network of partners, aiming to identify the evolutions in the insurance and insurance products market (including alternative risk transfer products).
Finally, the company management is constantly engaged in monitoring the evolution of the financial and insurance markets and in strengthening and increasing business relations with partners in the financial and insurance sector, as they are key players to mitigate financial risks.

## 5. Risks related to technological development

**Description and impact**
The Engineering & Construction, Drilling and high value engineering sectors are characterised by the continuous development of the technologies, assets, patents and licenses used therein. In particular, Saipem's competitors could develop and implement technological developments of various kinds (concerning, for example, the Offshore E&C fleet and onshore and offshore drilling rigs), which would strengthen their competitive positioning. In addition, the development of patents and licences by competitors could enable them to develop innovative solutions (for example, in Onshore E&C plant projects and high value engineering services, including those related to energy transition and decarbonisation), weakening the strategic and commercial positioning of Saipem.
Therefore, should Saipem be unable to upgrade the technologies, assets, patents and licences required to improve its operational performance and the solutions offered to clients, its competitive position could be damaged and as a result cause changes or reductions to its short or long-term objectives.

**Mitigation**
In order to maintain its competitive position, Saipem updates the technology, assets and licenses at its disposal, with the aim of aligning its offer of services to the current and future needs of the market.
Therefore, in addition to the extremely important experience of incremental research and development, which continues to be a key strategic point, Saipem is in the process of rolling out an initiative called the "Innovation Factory", which is an incubator of ideas to develop "disruptive" methods and technologies for dealing with the sector's challenges. An emerging area of interest for the "Innovation Factory" is linked to technologies aimed at increasing energy efficiency in operations and technologies in the decarbonisation of energy, for example renewable energy and carbon capture (more information in the specific section "Research and development").
In relation to the latter aspect, in 2020 Saipem purchased a proprietary carbon capture technology, continuing to investigate new technological frontiers.
Saipem is supported by companies specialised in analysing the technological evolution in the reference market segments and the prospective solutions that clients may require in the following years (for example, in the renewable energy sector), also evaluating strategic agreements (such as joint ventures and alliances) to exploit market opportunities; lastly, the Group enters into agreements of various kinds both with companies that develop technological solutions in the energy industry and also in other industries (for example, in the field of digitisation) and with universities and research centres.
In fact, Saipem is constantly engaged in studying and possibly developing technological agreements with various partners as regards technologies and licences in the energy sector, in addition to developing internally innovative technological solutions and patents through research and development projects with its own resources, as well as through cooperation with other organisations.

## 6. Risks related to health, safety and the environment

**Description and impact**
The activities carried out by Saipem in both operational projects and projects related to upgrades, maintenance or disposal of assets, using internal staff and/or subcontractors, expose the Group to potential accidents, that may

cause negative impacts on the health and safety of people and the environment. Additionally, Saipem is subject to laws and regulations for the protection of health, safety and the environment at national and international level when conducting its operations.
Despite the maximum effort made by Saipem in the field of health, safety and the environment, it cannot be excluded that, in the course of normal group activities, events that could compromise the health of people or the environment may occur. Furthermore, the occurrence of such events could lead to civil and/or criminal sanctions against the parties responsible and, in some cases of violation of safety laws, to the application of the provisions of Italian Legislative Decree No. 231/2001, with subsequent costs linked to sanctions against Saipem and to the fulfilment of legal and regulatory obligations concerning health, safety and the environment, as well as an impact to Saipem's reputation.
Moreover, in order to execute EPCI projects, drilling services and other services in the energy industry, the Group owns numerous assets, in particular specialised naval vessels (for example, for laying pipelines and lifting structures), offshore and onshore drilling rigs, production/treatment/storage and transport vessels commonly referred to as FPSO, Onshore equipment (for example, for pipe laying), manufacturing yards and logistics bases. Therefore, the Group's assets are subject to the normal risks associated with ordinary operations and to catastrophic risks linked with the weather and/or natural disasters which can impact security and the safety of personnel and the environment. The risks connected with ordinary operations can be caused by: (i) mistaken or inadequate execution of manoeuvres and work sequences that lead to damage for assets or facilities; (ii) mistaken or inadequate ordinary and/or extraordinary maintenance. Despite the fact that Saipem has specific know-how and competencies constantly kept up-to-date, implements internal procedures for the execution of its operations and regularly carries out maintenance work on its assets in order to monitor their quality and level of reliability, it is not possible to exclude the occurrence of incidents on assets or facilities during the execution of works.

#### Mitigation

With reference to these risks, Saipem has developed an HSE (Health, Safety and Environment) management system which is in line with the requirements of laws in force and with international standards ISO 45001 for health and safety in the workplace and ISO 14001 for environmental management, and for which Saipem has obtained certification for the whole Group. Specifically, HSE risk management is based on the principles of prevention, protection, awareness, promotion, and participation; its aim is to guarantee the workers' health and safety and to protect the environment and the general well-being of the community.
Regarding the risks related to the safety and health of people, Saipem has introduced a series of specific mitigation initiatives, among which please note:

- the continuing and renewed implementation of the "Leadership in Health & Safety" (LiHS) programme, which aims to strengthen the corporate culture in the field of health and safety;
- various campaigns, for example "Life Saving Rules", aimed at promoting awareness of dangerous activities and actions that each individual can carry out to protect themselves and others, "Dropped Objects Prevention" and the "We Want Zero" campaign;
- the development of advanced occupational health and health surveillance activities.

Regarding the risks associated with safeguarding the environment, Saipem has developed a structured system of prevention, management and response to spills.
Regarding the risks related to environmental protection, Saipem has introduced various specific mitigation initiatives, among which please note:

- measures to eliminate the risk of spills and, if this happens, measures and actions to be implemented to prevent their spread;
- identification of asset-specific maintenance programmes aimed at preventing fluid leaks.

Saipem promotes initiatives aimed at saving water and managing water risk, for example the creation of the Water Management Plan.
Lastly, for the mitigation of the risks related to asset management, Saipem incurs significant expenses for the maintenance of assets it owns and has developed various prevention initiatives, among which we highlight the implementation of the Asset Integrity Management System, a system that provides for the systematic management of critical elements, the identification of Key Performance Indicators and the creation of task familiarisation cards for managing the development of personnel assigned to specific roles or the use of critical equipment. Specifically, with regard to all vessels in the Group's fleet, Saipem periodically renews certifications issued by the appropriate classification bodies and by flag state authorities following inspections which the classification bodies perform on group vessels. In addition, the vessels, based on the technical characteristics and the type of each ship, must meet the requirements of applicable international maritime law and laws regulating the Oil&Gas industry.

### 7. Risks related to profit margins

#### Description and impact

Saipem operates mainly in the highly competitive sector of services for the energy and infrastructure industry, which is significantly influenced by the trend in the hydrocarbon prices in international markets, determining an impact on the demand for services offered by the Group and the margins associated with them.

For this reason, the energy and infrastructure services industry has shown increasing competition on prices for contracts known as lump sum turnkey in Offshore and Onshore Engineering & Construction services and for rates of vessels in the Offshore and Onshore Drilling market.
Specifically, the preparation of bids and the determination of prices are the outcome of an accurate, precise and timely estimation exercise that involves various group departments and which is further integrated by a risk assessment to cover the areas of uncertainty inevitably present in each bid (so-called contingency). Despite these efforts made by Saipem, over the life cycle of the contract the costs, revenue and, consequently, the margins that the Group realises on lump sum contracts, could vary significantly compared to the sums originally estimated for many reasons linked, for example, to: (i) bad performance/productivity of vendors and subcontractors; (ii) poor performance/productivity on the part of Saipem's workforce; (iii) changes in working conditions (so-called change order) not acknowledged by the client; (iv) worse weather conditions than those anticipated against the statistics available at the time; (v) a rise in the price of raw materials (e.g., steel, copper, fuel, etc.).
Furthermore, the worsening of the international macroeconomic scenario and, in particular, the significant fall in the price of oil and the COVID-19 pandemic, as well as the consequent variations in the clients' strategic choices, have brought further complexity.
All of these factors in addition to other risks inherent in the sectors in which Saipem operates may imply additional costs, lost revenue and the subsequent reduction in margins from those originally estimated, leading to a decrease, perhaps even a significant one, of profitability or to losses on projects. The result of such significant differences could worsen the Group's financial position and performance and damage Saipem's reputation in the relevant industry.

**Mitigation**
To align its cost and competitive profile with changes in the reference sectors, Saipem has implemented a new business model based on five divisions.
In addition, in the current hydrocarbon price market scenario and the trend for demand in services in the business lines, Saipem is committed to applying the most advanced industry and project management best practices and to identifying and implementing various new initiatives and solutions to reduce its costs through more efficient processes and technologies.

## 8. Digital and IT risks

**Description and impact**
L'esecuziThe execution and performance of Saipem's activities depend significantly on the IT system that has been developed over the years. Failure to take advantage of the opportunities linked to digitalisation and to process and operation automation, as well as inefficient use of innovative IT solutions by Saipem could compromise the Group's technological development and, as a result, the achievement of its short or long-term objectives (more information is available in the specific "Digital, ICT services" section).
Saipem is committed to taking on the digital challenge and the resulting risks related to the exploitation and enhancement of data and digital technologies in order to maintain and strengthen its competitive position in the Engineering & Construction, Drilling and high value engineering services sectors.

**Mitigation**
Saipem has developed a new project of digital transformation through an agenda with several objectives, including rendering the ICT services more efficient, spreading digital awareness and adopting new technologies. To this end, Saipem has selected IT technological and service partners, launching an extensive review of the supply of IT services with the aim of introducing the concept of a supply ecosystem. This ecosystem concept is aimed at ensuring that Saipem's needs are covered thanks to the effort to cooperate made by the vendors in light of supporting necessary actions both for the single areas and for those activities that intrinsically require cooperation and integration.
In addition, Saipem established various IT initiatives for the business environment, focusing on the strategic assumption of developing a data-centric approach for the business and a progressive and complete digitalisation of the Group's work processes. In particular, business developments have been oriented towards the automation of processes and the enhancement of internal information and data assets.
Finally, Saipem has begun to map the digital skills of its personnel, in order to assess any suitable development actions.

## 9. Risks related to the supply chain

**Description and impact**
In executing its projects, and in the normal course of its activities, the Group relies on numerous vendors of goods and services, subcontractors and partners. Any inadequate performances by vendors, subcontractors and partners, also due to significant periods of interruption of activities, could generate deficiencies in the supply chain and, consequently, lead to: additional costs linked to the difficulty in replacing vendors that provide goods and services, subcontractors and partners identified to carry out the activities; the procurement of goods and services at higher prices or delays in the completion and delivery of projects.

In addition, Saipem is exposed to risks related to any unethical behaviour by vendors, subcontractors and partners in the different countries in which it operates, as well as risks of poor performance in relation to health, safety and environment issues.
Therefore, this context may lead to a deterioration in relations with vendors, subcontractors and partners, with a consequent competitive disadvantage linked to Saipem's reduced negotiating power.
Finally, these supply chain risks could lead to longer times and higher costs, a worsening of contract terms and a deterioration of commercial relations with clients and economic-financial results, and a negative impact on Saipem's competitive position.
In addition, during 2020, the COVID-19 pandemic had some limited effects on the supply chain, primarily associated with the necessary audit and restructuration of the vendor lists available for procurement tenders, as well as more relational issues as a consequence of the various national and international protocols on workplace safeguards and safety, which together resulted essentially in a delay of the tenders timing.

#### Mitigation

With the aim of preventing and mitigating these risks, the Group has adopted a structured qualification and selection system in order to work with reliable vendors and subcontractors with a consolidated reputation. The services of vendors and subcontractors are also constantly controlled, and subject to feedback on all the work sectors with the supplier, in order to pursue continuous improvement in the procurement process. With reference to the COVID-19 pandemic, Saipem monitors its impacts on the supply chain at the level of the individual projects, in terms of continuity and timeliness of the supplies.
In addition, Saipem is assessing the implementation of specific IA tools for Supply Chain Risk Management, to monitor and eventually prevent impacts on our business through Bid Data analysis from several sources.
To mitigate and prevent the risks associated with unethical behaviour by vendors and subcontractors, Saipem uses various tools, checks and training programmes.
Additionally, Saipem requires its vendors, subcontractors and partners to read and accept the Model 231 in its entirety, including the Code of Ethics, which is inspired by the principles of the Universal Declaration of Human Rights of the United Nations, the Fundamental Conventions of the ILO (International Labour Organisation) and to the OECD Guidelines for Multinational Enterprises.

### 10. Risks related to business processes

#### Description and impact

The industry in which Saipem operates has gone through a period of great transformation characterised by stronger competition and a reduction in profit margins. Therefore, the need to change the organisational model and the complexity of the market context, also considering the evolutions in energy transition, are elements that have challenged Saipem's management over recent years.

#### Mitigation

The Group has launched several initiatives aimed at recovering efficiency and effectiveness in which particular emphasis was placed on the rationalisation of business processes. The divisionalisation process occurred at the same time with the aim of leading to a greater focus on business activities by allocating directly to the divisions many activities and processes that were previously monitored centrally in Corporate.
Finally, Saipem has embarked on a path to improve the work organisation model that – through a cultural, technological and digital change – can positively contribute to the achievement of corporate results, through increases in efficiency and effectiveness. In particular, in order to adapt quickly to these cultural changes, initiatives aimed at process dematerialisation and digitalisation are ongoing.

### 11. Risks related to political, social and economic instability

#### Description and impact

Substantial portions of Saipem's operations are performed in countries which may be politically, socially or economically unstable or at risk of terrorist threats. Developments in the political framework, economic crises, internal social unrest and conflicts with other countries, terrorist attacks and embargoes may temporarily or permanently compromise the Group's ability to operate efficiently in such countries, as well as its ability to recover group assets therein, or may require specific measures (where possible in compliance with Saipem corporate policy) to be taken at an organisational or management level in order to enable the continuation of activities under way in conditions that differ from those originally anticipated. Moreover, Saipem's operations, staff, and assets are located in many countries which are potentially exposed to the threat of terrorism on a global scale by various types of extremist groups.
Additional risks associated with operations in these countries are: (i) the absence of a stable legislative framework and the change in the rules and regulations valid within the territory where it is operating, including laws that implement international protocols or conventions for that sector of activity; (ii) uncertainty over the protection of the foreign group's rights in the event of contractual violation by private companies or state entities; (iii) penalising

developments or applications of laws, regulations, unilateral contract amendments which lead to reductions in the value of the assets, forced divestment and expropriation; (iv) restrictions of varying nature on the activities of construction, drilling, import and export; (v) changes in local regulations that impose the use of certain numbers of staff, and goods and services supplied by local companies (so-called 'local content').
Moreover, amongst other things the regulatory framework also impacts the methods with which Saipem carries out its activities. Any adoption of more restrictive or unfavourable regulations, or the imposition of obligations for compliance, or further requirements linked to Engineering & Construction and Drilling activities, may lead to changes in operating conditions and require an increase in investments, production costs or, at any rate, to a slow-down in the development of activities. Any violations of health, safety and environmental laws could lead to limitations to the Group's activities or to fines, sanctions or penalties in the event of non-compliance with environmental and health and safety laws and regulations.
In addition, in the current context, even in countries traditionally less exposed to political, economic and social instability, significant changes may occur that could impact the Saipem Group's current and future business activities, such as the conclusion of the Brexit process.
Lastly, considering that Saipem carries out its business activities in a global context characterised by the management of diversity deriving from socio-economic, political, industrial and regulatory contexts, the Group is exposed to multiple scenarios regarding relations with staff and, where present, with trade unions. Such relationships, if not properly managed, can expose the Group to risks associated with relationships with personnel and possibly with trade unions which, can generate extra costs and impact the timing of the activities carried out in Saipem's operational offices and projects, as well as having negative repercussions on Saipem's image and reputation.
The current macroeconomic global scenario is also negatively impacted by the criticalities generated by the pandemic, that has brought about increased social and economic instability in the countries where Saipem engages in operating activities and projects.

**Mitigation**
Saipem is committed to constantly and closely monitoring the political, social and economic developments, terrorist threats and pandemics arising in the countries of interest, both through specialised Group resources and through providers of security services and information analyses.
Therefore, Saipem is able to periodically assess these political, social, economic and sanitary risks in the countries it operates in or intends to invest in based on a specific risk assessment model. Specifically, Saipem has adopted an articulate security model based on the criteria of prevention, precaution, protection, information, promotion and participation, with the objective of reducing risks deriving from the actions of physical or legal persons who expose the Group and its assets, people, goods, image and reputation to potential damage. In particular, in order to prevent these risks, Saipem also makes use of agencies that provide security services in the countries in which it operates. These agencies could expose Saipem to risks related to the violation of human rights in the execution of security services which they provide; for this reason the mitigation actions implemented by Saipem consist of regular controls and training activities.
In cases where Saipem's ability to operate is compromised, demobilisation is planned according to the criteria of protecting personnel and group assets where necessary, and of minimising interruptions to operations, through the adoption of solutions that make the recommencement of ordinary activities faster and less expensive once favourable conditions are restored. These measures can increase costs and delays and have a negative impact on the profitability of projects executed in such countries.
Furthermore, Saipem constantly monitors changes in regulations of a various nature and compliance with them in order to minimise the impacts due to its operating activities in all countries of interest.
Lastly, in support of its presence in the countries and in order to mitigate the impact of its operating activities on local economies and the risks generated by relationships with subjects operating in the same areas, Saipem adopts a system of engagement with its local stakeholders, with the goal of maintaining dialogue and consolidating relationships and creating shared value, especially through active participation in the socio-economic development of the areas in which it operates.
In addition, Saipem has faced and is continuing to manage the complex adjustment of the workforce to the significant changes in the market in which it operates, on the basis of a new divisional business model taking into account the relationships with both the staff and with trade unions in the countries where it operates. In fact, in order to mitigate and prevent these risks, Saipem has configured an approach of maximum awareness to industrial relations in the countries in which it operates. Specifically, Saipem is committed to strengthening relations and communication with staff, trade unions and reaching and renewing specific agreements with the social partners involved.
In particular, with regard to the COVID-19 pandemic, Saipem has implemented a specific crisis response plan and has applied a series of measures at all levels of the organisation, at the offices, operating sites and the fleet, thanks to its constant monitoring of the developments and escalation of the viral spread, identifying solutions for protecting internal and external personnel, enacted by local multifunctional crisis units coordinated by the corporate crisis committee.

## 12. Business integrity risks

### Description and impact

Although Saipem conducts its business with loyalty, fairness, transparency, integrity and in full compliance with laws and regulations, the Group is subject to the risk of fraud and/or illegal conduct by employees and third parties (for example, corruption, lack of transparency, leaking confidential information, non-compliance with group procedures and regulations).
Specifically, Saipem carries out its business activities together with subcontractors, vendors and partners that could commit fraudulent acts in concert with employees to the detriment of the Group. Furthermore, the Group operates in various countries characterised by a high level of fraud and corruption, referred to in the "Corruption Perception Index" of Transparency International.
In the context of risks related to possible fraud or illegal activities by employees or third parties, Saipem is also exposed, in particular, to risks related to the protection of information and know-how, as the Group in the performance of its activities relies on sensitive information, data and know-how, processed and contained in documents and/or electronic format, whose unauthorised access and disclosure of by employees or third parties may represent fraud or illegal activities, and might as well cause damage to Saipem.
Lastly, it cannot be excluded that non-compliance issues or incorrect application of the European Data Protection Regulation (GDPR) may occur within the Group, which could result in the application of sanctions to the detriment of Saipem.

### Mitigation

Among the various initiatives to mitigate these risks, Saipem has designed an "Anti-Corruption Compliance Programme", which consists of a detailed system of rules and controls, aimed at preventing corruption in line with international best practices and with the principle of "zero tolerance" expressed in the Code of Ethics.
In particular, Saipem's "Anti-Corruption Compliance Programme" is dynamic and is constantly focused on the evolution of the national and international regulatory framework and of best practices.
In addition, Saipem's Code of Ethics (included in Model 231) establishes that "corruption practices, illegitimate favours, collusion, solicitation, [occurring] directly and/or through third parties of personal and career advantages for oneself or others, are without exception prohibited".
Furthermore, even if Saipem has constantly updated within all group companies its internal control system and the Model 231, which includes the Saipem Code of Ethics, as well as the organisation, management and control model for Group companies (including those in foreign countries), it is not entirely possible to exclude the occurrence of fraudulent or unlawful conduct.
Saipem provides employees and stakeholders with a dedicated information channel, overseen by the Compliance Committee (a board whose autonomy and independence are guaranteed by its acknowledged position in the context of the company's organisational structure and by the necessary requisites of independence, honourability and professionalism of its members), 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, personnel security, etc.).
Saipem periodically performs audits, in addition to those specific on suspected offences, also using external consultants, considering fraud indicators and red flags.
Furthermore, over the years, Saipem has developed a management system that has recently received the International Standard ISO 37001 - Anti-Corruption Management Systems certification, which is an important safeguard in the prevention and fight against corruption, as this ISO 37001 standard defines requirements and provides a guideline to help an organisation prevent, detect, respond to corruption and comply with anti-corruption legislation and any other voluntary commitments applicable to its activities.
For the management of risks related to the leak of confidential information, it should be noted that Saipem makes use of IT security technologies and procedures to mitigate this exposure (more information is available in the specific "Digital, ICT services" section). Saipem has also adopted principles and rules to be followed by the Group in its internal management and external communication of corporate documents and information, with particular reference to inside information (more information is available in the specific section within the "Corporate Governance and Shareholding Structure Report").
Lastly, beginning in April 2018 Saipem developed an ad hoc Privacy Organisation Model aimed at guaranteeing compliance with the European directive on data protection (General Data Protection Regulation - GDPR).

## 13. Cyber risks

### Description and impact

In performing its activities in the offices and worksites onshore and offshore, Saipem uses a vast number of digital tools of various kinds; by effect of an increase in digitalisation and of the constant increase in cybernetic threats, the Group's IT systems are exposed to potential cyber attacks that can have a number of aims; the cyber attacks could endanger the operational continuity and damage Information Technology (IT) and Operational Technology (OT) systems, causing the loss and/or theft of data and information (even of a confidential nature), with significant impacts on corporate processes resulting in economic and financial damage, as well as damage to operations and to the company's reputation, particularly towards the clients.

In recent years, the emerging cyber risks have played and will continue to play an increasing role, due to the critical role of the various IT tools and the digitalisation process affecting the Group activities and processes.
Finally, the COVID-19 containment measures have led to the need to work remotely, using networks other than that of the company, with a consequent potential increase in the area open to attacks, which is not an optimal scenario in terms of cyber security, as the measures adopted by the Group to contain IT threats and attacks could become less effective.

**Mitigation**
Saipem has implemented measures of governance, response and monitoring of cyber attacks, as well as compliance processes carried out through the involvement of specialised internal and external personnel and an advanced use of IT security technologies. Saipem applies procedures and protocols based on the sector best practices and on consolidated, tested international standards, with the goal of preventing and mitigating its exposure to cyber risk.
In particular, for the prevention and mitigation of cyber risks, Saipem relies on providers of specialised services and uses the main prevention and defence instruments available on the market (more information is available in the specific "Digital activities, ICT services" section); moreover, Saipem is constantly engaged in implementing a cyber security plan, strengthening its activities of threat detection and response to cyber incidents, in the adoption of a platform that provides external and independent assessment of the Group's level of maturity of cyber security, in the assessment of cyber risks also in relation to operational technology (OT), in cyber awareness activities aiming to increase the level of training and knowledge of employees and, finally, in continuous collaboration with the main public and private stakeholders.

## 14. Risks related to human resources

**Description and impact**
The Saipem Group relies to a significant degree on the professional contribution of key management personnel and highly specialised individuals. Key management personnel means "Senior Managers with strategic responsibilities" (further information can be found in the specific detailed section in the "2020 Remuneration Report"). Highly specialised individuals, on the other hand, means personnel who, on the basis of their skills and experience, are vital to the execution of projects and to the growth and development of Saipem.
If this relationship between Saipem and one or more of the resources mentioned should be interrupted for any reason, there are no guarantees that the Group can restore it quickly using equally qualified individuals who can ensure the same operational and professional contribution in the short term.
The breaking off of relations with one of the key figures, the inability to attract and retain highly qualified personnel and competent management personnel, or to supplement the organisational structure with individuals capable of managing the growth of the Group, could have negative effects on Saipem's future business opportunities and projects in the execution phase.
Furthermore, working on international markets, the development of Saipem's future strategies will depend significantly on the Group's ability to attract and retain highly qualified and competent personnel with a high level of diversity in terms of age, nationality and gender. Lastly, the regulatory developments in labour law in the countries where Saipem operates exposes it to risks of various kinds in the management of human resources, which can cause internal inefficiencies and disputes.

**Mitigation**
With the goal of preventing and mitigating these risks, Saipem is committed to investing in gender, nationality and generational balance, encouraging the development and growth of younger resources, as well as motivating and retaining the most experienced resources, in order to ensure the protection of the distinctive and strategic skills for Saipem through several different initiatives.
In this regard, the Human Resources Development Committee was set up, with the objective of monitoring and guiding the development and career of young people, as well as assessing their professional and managerial paths in a universal manner; Saipem is also constantly committed to the promotion of diversity, with specific initiatives centred on the promotion and spread of an inclusive culture through partnership with the association "Valore D".
Furthermore, the aim of the Remuneration Policy, whose primary tools and objectives are defined in the Remuneration Report, is to attract, motivate and retain high-profile professional and managerial resources, and align management's interests aiming at value creation for shareholders in the medium-long term.
Saipem has adopted an innovative model for the management of human capital based on skills with the aim of better directing energies and professional figures to the areas in need and ensuring greater flexibility in the development of personal and professional skills at all levels.
Therefore, the continued expansion of the Group into geographic areas and business lines is accompanied by plans to employ and train management and technical personnel, both international and local, with different skills.
As defined in the Code of Ethics, in full compliance with applicable legal and contractual provisions, Saipem undertakes to offer equal opportunities to all its employees, making sure that each of them receives a fair statutory and wage treatment exclusively based on merit and expertise, without discrimination of any kind. Additionally, the Group monitors the legislative developments relating to personnel management in all the countries in which it operates or is interested in entering, availing itself of labour law consultants.

## Transfer of risks to the insurance market

In close cooperation with top management the Corporate insurance function annually defines the Saipem Group's guidelines on insurance coverage against residual risks of material damages and civil liability, and those deriving from contracts taken on.
An insurance programme is defined on the basis of the guidelines, which identifies specific excess and maximum limit coverage for each type of risk based on an analysis that takes into account claim records for recent years, industry statistics and conditions offered by the international insurance market.
The Saipem insurance programme is structured in such a way as to appropriately transfer risks deriving from operations to the insurance market, in particular the risks associated with the management of the fleet, equipment and other assets, including third party liability risks, those relating to Saipem personnel, cyber security risks and risks deriving from the performance of contracts awarded by its clients.
Given the coverage that is offered by the insurance market and the changing circumstances on the energy market in which Saipem operates, it is not possible to guarantee that all circumstances and events will be adequately covered by the insurance programme. Equally, due to the volatility of the insurance market, it cannot be guaranteed that it will be possible in the future to reasonably maintain adequate insurance coverage at the current rates, terms and conditions.
Within the Saipem insurance programme, a distinction can be made between insurance cover for Group assets ("Corporate insurance policies") and the insurance cover connected with project execution.

### Corporate insurance policies

The Corporate insurance programme is structured with an initial band of risk that is self-insured through a captive reinsurance group, with amounts in excess covered by a catastrophic insurance programme taken out on the insurance market.
The catastrophic insurance programme is composed of policies that cover damage to property, maritime and non-maritime third party liability, professional liability and cyber risks. Cover can be broken down as follows:

**Material damages**

- "Fleet Insurance" policy: covers the entire fleet against events that cause partial or total damage to vessels;
- "Equipment" policy: covers all onshore and offshore equipment, for example site equipment, onshore drilling rigs, subsea equipment, etc.;
- "Transport" policy: covers transport, handling and storage of assets and equipment by land, sea or air;
- "Buildings and Sites" policy: covers owned or rented buildings, offices, storage facilities and shipyards.

**Third-party liability**

- "Protection & Indemnity" ("P&I") policy: covers ship owners' liability through a P&I Club that is part of the International Group of P&I Clubs for events occurring during transit and/or for events occurring during offshore drilling and construction operations;
- "Comprehensive General Liability" policy: covers all other types of general and third party liability claims arising from Saipem's industrial activities and supplements previous P&I coverage;
- "Employer's Liability" and "Personal Accident" policies: these cover employer liability and employee accident risks respectively on the basis of the specific regulations in force in each country where the Group operates;
- "Directors & Officers" ("D&O") policy: covers the responsibilities of the administrative and control bodies, as well as managers; of the parent and its subsidiaries in the performance of their mandates and duties;
- "Cyber Insurance Protection" policy: covers both direct material damages and the damages to third parties attributable to a cyber-attack on the Group's information and operating systems.

A key tool in the management of Saipem's insurable risks is Sigurd Rück AG, a captive reinsurance group, which operates to cover the first level of risk. Sigurd Rück AG in turn carries out risk mitigation by re-insuring its portfolio on primary securities markets.

### Insurance policies relating to the execution of projects

For all contracts assigned there must be specific project insurance coverage in place and said coverage generally falls within the client's contractual scope of responsibility.
In cases where such coverage instead falls within the contractor's scope of responsibility, Saipem defines an insurance suitable for covering all project-related risks, for the entire term.
Usually it takes out "Builders' All Risks" insurance, which covers the scope of work of the contract, i.e. damage to the works under construction, as well as to equipment, products and materials required for its construction and third party liability for all works to be performed by the Group during all phases of project execution (engineering, transportation, construction, assembly, testing) including the contractual guarantee period.

# ADDITIONAL INFORMATION

## Long-term Incentive Plan 2019-2021

On October 20, 2020, the Board of Directors resolved, following a proposal of the Compensation and Nomination Committee, to implement for 2020 the long-term share-based incentive Plan 2019-2021 (the "Plan"), approved by the Shareholders' Meeting on April 30, 2019. The Board of Directors determined the total number of treasury shares necessary to service the Plan as 17,090,920. The Board of Directors and, for it, the CEO, will undertake the programme of purchase of treasury shares in service of the Plan, under the terms and conditions authorised by the Shareholders' Meeting on April 29, 2020, and, therefore, within a period of eighteen months from the date of the resolution and for a maximum total amount not to exceed €93 million. Notice will be given to the market about the actual launch of the treasury share purchase programme. As of December 31, 2020, the Company holds 17,532,670 treasury shares.

## EMTN Programme: issue of senior bonds

On July 7, 2020, as part of the non-convertible bond issue programme known as the Euro Medium Term Note ("EMTN") Programme, Saipem Finance International BV ("SFI"), successfully placed a bond issue expiring on July 15, 2026, for an amount of €500 million. The notes to be listed on the Euro MTF of the Luxembourg Stock Exchange have been purchased by institutional investors mainly in Italy, France, Germany and the United Kingdom. The resources deriving from the issue will be used for general financial needs.

## Regulation on Markets

**Article 15 (formerly Article 36) of Consob Regulation on Markets (adopted with Resolution No. 20249 of December 28, 2017): conditions for the listing of shares of companies with control over companies established and regulated under the law of non-EU countries**

With regard to the published regulations setting out conditions for the listing of shares of companies with control over companies established and regulated under the law of non-EU countries and that are deemed to be of material significance in relation to the consolidated financial statements:

i. as of December 31, 2020, the regulatory provisions of Article 15 of the Regulation on Markets apply to the following 19 subsidiaries:
   - Saudi Arabian Saipem Ltd;
   - Snamprogetti Saudi Arabia Co Ltd Llc;
   - PT Saipem Indonesia;
   - Saipem Misr for Petroleum Services (S.A.E.);
   - Saipem Offshore Norway AS;
   - Saipem Drilling Norway AS;
   - Saipem Contracting Nigeria Ltd;
   - ER SAI Caspian Contractor Llc;
   - Petrex SA;
   - Saipem America Inc;
   - Saipem do Brasil Serviçõs de Petroleo Ltda;
   - Boscongo SA;
   - Saimexicana SA de Cv;
   - Saipem India Projects Private Ltd;
   - Saipem Services Mexico SA de Cv;
   - Sigurd Rück AG;
   - Snamprogetti Engineering & Contracting Co Ltd;
   - Global Petroprojects Services AG;
   - Saipem Singapore Pte Ltd.

ii. Procedures designed to ensure full compliance with the aforementioned regulations have been adopted.

## Disclosure of transactions with related parties

Transactions concluded by Saipem with related parties essentially regard the exchange of goods, the supply of services, the provision and utilisation of financial resources including entering into derivatives contracts. All transactions form part of ordinary operations, are settled at market conditions, i.e. at the conditions that would have applied between two independent parties, and are concluded in the interest of Group companies.

Directors, statutory auditors, general managers and key management personnel must declare, every 6 months, any transactions they enter into with Saipem SpA or its subsidiaries, directly or through a third party. Directors and Statutory Auditors release every six months and/or in the event of a change, a statement in which each potential interest is represented in relation to the parent and the Group and in any case report to the Chief Executive Officer (or the Chairman where the Chief Executive Officer is involved), who informs the other directors and the Board of Statutory Auditors of the individual transactions that the parent intends to perform, in which they have direct interests.
As of December 31, 2020, Saipem SpA is not subject to the management and coordination of other parties. Saipem SpA manages and coordinates its own subsidiaries pursuant to Article 2497 ff. of the Italian Civil Code.
The values of transactions of a trade, financial or other nature, entered into with related parties are illustrated in Note 38 of the "Notes to the consolidated financial statements".

## Business outlook

2021 started as a year of uncertainty, due, on the one hand, to the ongoing pandemic and the concern for the variants of the virus, while on the other hand, to the expectations linked to the discovery and distribution of the vaccines.
However, Saipem is solid with a large order book, a strong financial structure and attractive business prospects both traditional sectors and in those related to energy transition, not to mention the important role it intends to play in the context of investments related to the post-pandemic recovery programmes launched by the EU.
The business scenario for 2021 will remain affected by the pandemic, especially in the first half of the year. For this reason, the Company is currently unable to provide a timely financial guidance. The volumes of the year and beyond are well supported by the large order book, whose mix of projects and operational progress allows to predict for 2021 an adjusted EBITDA similar to that of 2020.
New initiatives to reduce overhead have been launched on structural costs for about €30 million in 2021, in addition to the savings of 2020.
The capital expenditure expected for 2021 amounts to around €450 million.
Beyond 2021, as the vaccination campaign continues and execution of projects progresses, combined with efficiencies and a further resumption of commercial activity, an increase of the adjusted EBITDA is expected, together with a resumption of the path of reducing net financial debt.
This scenario does not take account of a further and possible significant deterioration of the macroeconomic environment and of business as a result, for example, of the intensification of the COVID-19 pandemic.
Saipem advances further in its ESG programme and is committed to reducing greenhouse gas (GHG) emissions, scope 1 and 2, by 50% within 2035, a decisive step towards the achievement of a net-zero carbon profile in the future.

## Events after the reporting period

### Authorisation to repurchase treasury shares under the incentive plans

On March 12, 2021, the Board of Directors resolved, following a proposal of the Compensation and Nomination Committee, to submit the following proposals to the Ordinary Shareholders' Meeting, which will be held on April 30, for authorisation to purchase treasury shares:
- up to a maximum of 3,500,000 ordinary shares and, in any case, for a maximum amount of €9,800,000, to be assigned to the 2022 attribution of the short-term Incentive Plan 2021-2023;
- up to a maximum of 22,000,000 ordinary shares and, in any case, for a maximum amount of €61,400,000, to be assigned to the 2021 attribution of the long-term Incentive Plan 2019-2021.

The authorisations for the repurchase of treasury shares are requested for a period of eighteen months from the date of the resolution of the Shareholders' Meeting.

### New contracts

As announced on February 1, 2021, Saipem has been awarded a new contract for the offshore wind farm Courseulles-sur-Mer, in Normandy, France, by Eoliennes Offshore du Calvados SAS (EODC). The aim of the project includes the design, construction and installation work of 64 steel foundations for an equivalent number of wind turbines.
In addition, during the first quarter of 2021, Saipem has been awarded a new contract related to the North Field Production Sustainability Pipelines Project on behalf of Qatargas in Qatar peninsula. The additional contract ("EPCL" package) entails the Engineering, Procurement, Construction, and Installation (EPCI) of offshore export trunklines and related onshore tie-in works and is part of the development of the North Field production plateau, which also includes the EPCI of offshore facilities ("EPCO" package) previously awarded to Saipem in February.

Lastly, Saipem has been awarded a Consultancy Service Contract by Libya National Oil Corp (NOC) for the development of the Benghazi Oil Technical Center (BOTC). The Center will be designed with best-in class facilities and technologies to serve the Libyan oil and gas market and other critical industries.

### New issuance of senior, unsecured fixed rate notes

On March 23, 2021, Saipem successfully issued a new fixed rate bond with maturity March 31, 2028 for a total amount of €500 million.
The notes, issued by Saipem Finance International BV under the EMTN Programme (Euro Medium Term Note Programme), pay a fixed annual coupon of 3.125% with a re-offer price of 100%.
The notes were purchased by institutional investors mainly located in Italy, France, United Kingdom and Germany and will be listed on the Euro MTF of the Luxembourg Stock Exchange.

## Additional information

Under Article 20 of the Articles of Association, in pursuant to Article 2365, second paragraph of the Italian Civilian Code, the Board of Directors of Saipem SpA is responsible for amending the Articles of Association to comply with legislative provisions.
The Company's Board of Directors has verified that the provisions of the Articles of Association in force comply with the amendments introduced by Italian Law No. 160 of December 27, 2019 relating to gender balance, with the sole exception of Article 31 (which envisaged a transitional clause for the application of the previous legislation in force) and which has therefore been removed. The resolution of the Board of Directors and the new text of the Articles of Association have been made available to the public in accordance with the law.

# Reconciliation of reclassified balance sheets used in the management report with the mandatory financial statements

## Reclassified statement of financial position

| (€ million) | Dec. 31, 2019 | | Dec. 31, 2020 | |
|---|---|---|---|---|
| **Reclassified balance sheeet items** (unless stated otherwise, the item is obtained from mandatory template) | Partial values from the mandatory statement | Values from the reclassified statement | Partial values from the mandatory statement | Values from the reclassified statement |
| A) Net property, plant and equipment | | 4,129 | | 3,284 |
| *Note 14 - Property, plant and equipment* | *4,129* | | *3,284* | |
| B) Net intangible assets | | 698 | | 701 |
| *Note 15 - Intangible assets* | *698* | | *701* | |
| C) Right-of-Use assets | | 584 | | 288 |
| *Note 16 - Right-of-use assets* | *584* | | *288* | |
| D) Equity investments | | 106 | | 140 |
| *Note 17 - Equity investments* | *133* | | *166* | |
| *Reclassified from F) - provisions for losses of investees* | *(27)* | | *(26)* | |
| E) Working capital | | 162 | | 267 |
| *Note 9 - Other current financial assets* | *180* | | *344* | |
| *Reclassified to L) - loan assets not related to operations* | *(178)* | | *(342)* | |
| *Note 10 - Trade receivables and other assets* | *2,601* | | *1,991* | |
| *Note 11 - Inventories and contract assets* | *1,331* | | *1,575* | |
| *Note 12 - Current tax assets* | *251* | | *243* | |
| *Note 12 - Other current tax assets* | *167* | | *189* | |
| *Note 13 - Other current assets* | *115* | | *298* | |
| *Note 13 - Other non-current assets* | *55* | | *35* | |
| *Note 18 - Deferred tax assets* | *297* | | *240* | |
| *Note 19 - Trade payables, other liabilities and contract liabilities* | *(4,376)* | | *(4,079)* | |
| *Note 12 - Current tax liabilities* | *(87)* | | *(44)* | |
| *Note 12 - Other current tax liabilities* | *(139)* | | *(136)* | |
| *Note 20 - Other current liabilities* | *(45)* | | *(35)* | |
| *Note 20 - Other non-current liabilities* | *(1)* | | *(2)* | |
| *Note 18 - Deferred tax liabilities* | *(9)* | | *(10)* | |
| F) Provisions for risks and charges | | (226) | | (269) |
| *Note 23 - Provisions for risks and charges* | *(253)* | | *(295)* | |
| *Reclassified to D) - provisions for losses of investees* | *27* | | *26* | |
| G) Provisions for employee benefits | | (246) | | (237) |
| *Note 24 - Employee benefits* | *(246)* | | *(237)* | |
| H) Assets held for sale | | - | | - |
| *Note 26 - Assets held for sale* | *-* | | *-* | |
| **EMPLOYED CAPITAL, NET** | | **5,207** | | **4,174** |
| I) Equity | | 4,032 | | 2,923 |
| *Note 27 - Equity attributable to the owners of the parent* | *4,032* | | *2,923* | |
| L) Non-controlling interests | | 93 | | 25 |
| *Note 32 - Non-controlling interests* | *93* | | *25* | |
| M) Net financial debt pre-lease liabilities | | 687 | | 872 |
| *Note 7- Cash and cash equivalents* | *(2,272)* | | *(1,687)* | |
| *Note 8 - Financial assets measured at fair value through OCI* | *(87)* | | *(68)* | |
| *Note 9 - Other non-current financial assets* | *(69)* | | *(66)* | |
| *Note 21 - Current financial liabilities* | *164* | | *257* | |
| *Note 21 - Non-current financial liabilities* | *2,670* | | *2,577* | |
| *Note 21 - Current portion of non-current financial liabilities* | *244* | | *201* | |
| *Reclassified from E) - loan assets not related to operations (Note 8)* | *(178)* | | *(342)* | |
| N) Lease liabilities | | 610 | | 354 |
| *Note 15 - Net lease liabilities* | *610* | | *354* | |
| O) Net debt | | 77 | | 1,226 |
| **FUNDING** | | **5,207** | | **4,174** |

**Reclassified income statement**

The reclassified income statement differs from the mandatory template solely for the following reclassifications:

- the item "other revenue and income" (€12 million), relating to "reimbursements for services that are not part of core operations" (€54 million), have been recorded as reductions to the corresponding cost items in the reclassified income statement;
- the items "financial income" (€465 million), "financial expenses" (-€691 million) and "derivatives" (€60 million), which are indicated separately under the mandatory template, are stated under the item "financial (expense) income" (-€166 million) in the reclassified income statement.

All other items are taken from the mandatory financial statements.

**Items of the reclassified statement of cash flows**

The reclassified statement of cash flows differs from the mandatory scheme solely for the following reclassifications:

- the items "depreciation and amortisation" (€591 million), "net impairment losses of property, plant and equipment and intangible assets" (€682 million), "other changes" (€87 million), "change in employee benefits" (-€7 million) and "effect of accounting using the equity method" (-€37 million), indicated separately and included in the net cash flows generated by operating activities in the mandatory template, are shown net under the item "depreciation/amortisation and other non-monetary items" (€1,316 million);
- the items "income taxes" (€143 million), "interest expense" (€134 million) and "interest income" (-€5 million), indicated separately and included in cash flows from working capital in the mandatory template, are shown net under the item "dividends, interests and taxes" (€272 million);
- the items regarding changes in "trade receivables" (€412 million), to changes in "inventories" (€15 million), to "provisions for risk and charges" (€55 million), to "trade payables" (€39 million), to "other contract assets and liabilities" (-€518 million) and "other assets and liabilities" (-€75 million), indicated separately and included in cash flows from working capital in the mandatory template, are shown net under the item "changes in working capital related to operations" (-€72 million);
- the items "interest received" (€4 million), "income taxes paid net of refunds of tax credits" (-€163 million) and "interest paid" (-€112 million), indicated separately and included in cash flows generated by operating activities in the mandatory template, are shown net under the item "dividends received, income taxes paid and interest paid and received" (-€268 million);
- the items relating to investments in "property, plant and equipment assets" (-€305 million) and "intangible assets" (-€17 million), indicated separately and included in cash flow from investing activities in the mandatory template, are shown net under the item "capital expenditure" (-€322 million);
- the items "increase in non-current loans and borrowings" (€146 million), "increase (decrease) in current loans and borrowings" (€108 million) and "decrease in non-current loans and borrowings" (-€281 million), indicated separately and included in net cash flows from financing activities in the mandatory template, are shown net under the item "changes in current and non-current loans and borrowings" (-€27 million).

All other items are taken from the mandatory financial statements.

# GLOSSARY

## Financial terms

- **Adjusted EBIT** operating result net of special items.
- **Adjusted EBITDA** gross operating margin net of special items.
- **Beta** coefficient that defines the measure of the systematic risk of a financial asset, i.e. the trend of an asset's return in line with changes in the reference market. The beta is defined as the ratio between the probability of the expected return of a specific asset with the expected market return, and the variance of the market return.
- **CGU** Cash Generating Unit refers to, as part of the execution of the impairment test, the smallest identifiable group of assets that generates cash inflows or outflows, deriving from the continuous use of assets, largely independent of the cash inflows or outflows from other assets or groups of assets.
- **EBIT** earnings before interest and tax.
- **EBITDA** earnings before interest, taxes, depreciation and amortisation.
- **Headroom** (Impairment Loss) positive (or negative) excess of the recoverable amount of a CGU over the carrying amount of that unit.
- **IFRS** International Financial Reporting Standards issued by the IASB (International Accounting Standards Board) and endorsed by the European Commission. They comprise International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), and the interpretations issued by the International Financial Reporting Interpretation Committee (IFRIC) and the Standing Interpretations Committee (SIC) adopted by the IASB. The name International Financial Reporting Standards (IFRS) has been adopted by the IASB for standards issued after May 2003. Standards issued before May 2003 have maintained the denomination IAS.
- **Leverage** measures a company's level of indebtedness, calculated as the ratio between net financial debt and equity including non-controlling interests.
- **Receivables "in bonis"** total amount of receivables of a commercial nature, not expired or past due by no more than twelve months, towards clients deemed solvent.
- **ROACE** (Return On Average Capital Employed) calculated as the ratio between net result before non-controlling interests, plus net financial expense on net financial debt less the related tax effect and net average capital employed.
- **Special items** items of income arising from events or transactions that are non-recurring or that are not considered to be representative of the ordinary course of business.
- **WACC** Weighted Average Cost of Capital calculated as a weighted average of the cost of the group's debt capital and the cost of risk capital, defined on the basis of the Capital Asset Pricing Model (CAPM) methodology, consistent with the specific risk of Saipem's business, measured by the beta of the Saipem share.
- **Write-off** cancellation or reduction of the value of an asset.

## Operational terms

- **Buckle detection** system that utilises electromagnetic waves during pipe laying in order to flag if the pipes laid on the bottom have collapsed or are deformed in any way.
- **Bundles** bundles of cables.
- **Carbon Capture and Storage** technology which enables the carbon present in gaseous effluents from hydrocarbon combustion and treatment plants to be captured and stored over long periods of time in underground geological formations, thus reducing or eliminating carbon dioxide emissions into the atmosphere.
- **Central Processing Facility** production unit performing the first transformation of crude oil or natural gas.
- **Cold stacked** an inactive plant with skeleton crew and maintenance.
- **Commissioning** series of processes and procedures undertaken in order to start operations of a gas pipeline, associated plants and equipment.
- **Concrete coating** reinforced concrete coating for subsea pipelines in order to ballast and protect them from damage and corrosion.
- **Conventional waters** water depths of up to 500 metres.
- **Cracking** chemical-physical process, typically employed in dedicated refinery plants, whose objective is to break down the heavy hydrocarbon molecules obtained from primary distillation into lighter fractions.
- **Debottlenecking** removal of obstacles (in rigs/fields) which leads to higher production.
- **Deck** area of a vessel or platform where process plants, equipment, accommodation modules and drilling units are located.
- **Decommissioning** a process undertaken in order to wind down the operations of a gas pipeline and its associated plant and equipment. It is performed at the end of the useful life of the plant or vessel following an incident, for technical or financial reasons, for safety or environmental reasons.
- **Deep waters** water depths of over 500 metres.
- **Downstream** all operations that follow exploration and production operations in the oil sector.

- > **Drillship** vessel capable of self-propulsion, designed to carry out drilling operations in deep waters.
- > **Dry-tree** wellhead located above the water on a floating production platform.
- > **Dynamically Positioned Heavy Lifting Vessel** vessel equipped with a heavy-lift crane, capable of holding a precise position through the use of thrusters, thereby counteracting the force of the wind, sea, currents, etc.
- > **EPC** (Engineering, Procurement, Construction) a type of contract typical of the Onshore Engineering & Construction segment, comprising the provision of engineering services, procurement of materials and construction. The term "turnkey" means when a plant is provided to customer ready for use, so already operational.
- > **EPCI** (Engineering, Procurement, Construction, Installation) type of contract typical of the Offshore Engineering & Construction segment, which relates to the realisation of a complex project where the global or main contractor (usually a construction company or a consortium) provides the engineering services, procurement of materials, construction of the system and its infrastructure, transport to site, installation and commissioning/preparatory activities for the start-up of operations.
- > **Fabrication yard** yard at which offshore structures are fabricated.
- > **Facilities** auxiliary services, structures and installations required to support the main systems.
- > **Farm out** awarding of the contract by the client to another entity for a fixed period of time.
- > **FDS** (Field Development Ship) dynamically-positioned multi-purpose crane and pipe lay vessel.
- > **FEED** (Front-End Engineering and Design) basic engineering and preliminary activities carried out before beginning a complex project to evaluate its technical aspects and enable an initial estimate of the investment required.
- > **Field Engineer** on-site engineer.
- > **Flare** tall metal structure used to burn off gas produced by oil/gas separation in oil fields when it is not possible to utilise it on site or ship it elsewhere.
- > **FLNG** Floating Liquefied Natural Gas unit used for the treatment, liquefaction and storage of gas which is subsequently transferred onto vessels for transportation to end-use markets.
- > **Floatover** type of module installation on offshore platforms that does not require lifting operations. A specialised vessel transporting the module uses a ballast system to position itself directly above the location where the module is to be installed. Once the module is in contact with the supports, the vessel disconnects and the module is subsequently secured to the support structure.
- > **Flowline** pipeline used to connect individual wells to a manifold or to gathering and processing facilities.
- > **FPSO vessel** Floating Production, Storage and Offloading system comprising a large tanker equipped with a high-capacity production facility. This system, moored at the bow to maintain a geo-stationary position, is effectively a temporarily fixed platform that uses risers to connect the subsea wellheads to the on-board processing, storage and offloading systems.
- > **FPU** Floating Production Unit.
- > **FSHR** (Free Standing Hybrid Risers) system consisting of a vertical steel pipe ("riser"), which is kept under tension by a floating module position near the water whose buoyancy, ensures stability. A flexible pipe (jumper) connects the upper part of the riser to the Floating Production Unit (FPU), while the riser is anchored to the sea bottom by means of an anchoring system. A rigid pipe (riser base jumper) connects the lower part of the FSHR to the Pipe Line End Terminations (PLETs).
- > **FSRU** (Floating Storage Regasification Unit) a floating terminal in which liquefied natural gas is stored and then re-gasified before being transported by pipeline.
- > **Gas export line** pipeline for carrying gas from the subsea reservoirs to the mainland.
- > **Grass Root Refinery** a refinery that is built from scratch with a planned capacity.
- > **Hydrocracker** installation in which large hydrocarbon molecules are broken down into smaller ones.
- > **Hydrotesting** operation involving high pressure (higher than operational pressure) water being pumped into a pipeline to ensure that it is devoid of defects.
- > **Hydrotreating** refining process aimed at improving the characteristics of oil fractions.
- > **Ice Class** classification that indicates the additional level of upgrading and other criteria that make a ship sea worthy to sail in sea ice.
- > **International Oil Companies** privately-owned, typically publicly traded, oil companies engaged in various fields of the upstream and/or downstream oil industry.
- > **Jacket** platform underside structure fixed to the seabed using piles.
- > **Jack-up** mobile self-lifting unit comprising a hull and retractable legs used for offshore drilling operations.
- > **J-laying** method of pipe laying that utilises an almost vertical launch ramp, making the pipe configuration resemble the letter "J". This type of pipe laying is suitable for deep waters.
- > **Lay-up** a laid-up vessel whereby its class certification validity is suspended.
- > **Leased FPSO** FPSO (Floating Production, Storage and Offloading) vessel for which a lease contract is in place between a client/lessee (Oil Company) and a contractor/lessor, whereby the lessee (client/Oil Company) makes lease payments to the lessor for use of the vessel for a specific period of time. At the end of the lease term, the lessee has the option to purchase the FPSO.
- > **LNG** (Liquefied Natural Gas), which is obtained at atmospheric pressure by cooling the natural gas down to -160 °C. It is turned to liquid form for ease of transport from its extraction location to where it will then be transformed and used. A tonne of LNG is equivalent to 1,500 cubic metres of gas.
- > **Local Content** policy whereby a group develops local capabilities, transfers its technical and managerial know-how and enhances the local labour market and businesses through its own business activities.

- **LPG** (Liquefied Petroleum Gas) produced in refineries through the fractionation of crude oil and subsequent processes, liquid petroleum gas exists in a gaseous state at ambient temperatures and atmospheric pressure, but changes to a liquid state under moderate pressure at ambient temperatures, thus enabling large quantities to be stored in easy-to-handle metal pressure vessels.
- **LTI** (Lost Time Injury) any work-related injury that renders the injured person temporarily unable to perform any regular job or restricted work on any day/shift after the day or shift on which the injury occurred.
- **Marginal fields** oil fields with scarce exploitable resources or that are recording a drop in production so it is sought to extend their use via low risk, cost effective technologies.
- **Midstream** sector comprising all those activities relating to the construction and management of the oil transport infrastructure.
- **Moon pool** an opening in the hull of a drillship for equipment to be lowered through.
- **Mooring buoy** offshore mooring system.
- **Multipipe subsea** subsea gas/liquid gravity separation system using a series of small diameter vertical separators operating in parallel (for deep water application).
- **National Oil Companies** State-owned/controlled companies engaged in oil exploration, production, transportation and conversion.
- **NDT** (Non Destructive Testing) a series of inspections and tests used to detect structural defects conducted using methods that do not alter the material under inspection.
- **NDT Phased Array** non-destructive testing method that employs ultrasound to detect structural or welding defects.
- **Offshore/Onshore** the term offshore indicates a portion of open sea and, by extension, the activities carried out in this area, while onshore refers to land operations.
- **Oil Services Industry** industrial sector that provides services and/or products to the National or International Oil Companies engaged in oil exploration, production, transportation and conversion.
- **Open Book Estimate** (OBE) type of contract where the lump-sum fee for the project (usually for turnkey or EPC projects) is agreed on with the client, with complete transparency, after the contract has been signed and during an advanced stage of the base engineering, on the basis of an overall project cost estimate.
- **P&ID** (Piping and Instrumentation Diagram) diagram showing all plant equipment, piping and instrumentation with associated shut-down and safety valves.
- **Pig** piece of equipment used to clean, descale and survey a pipeline internally.
- **Piggy back pipeline** small-diameter pipeline, fixed to a larger pipeline, used to transport a product other than that of the main line.
- **Pile** long and heavy steel pylon driven into the seabed. A system of piles is used as the foundation for anchoring a fixed platform or other offshore structures.
- **Pipe-in-pipe** subsea pipeline system comprising 2 coaxial pipes, used to transport hot fluids (Oil&Gas). The internal pipe has the function of transporting the fluid. The space between the two pipes is insulated to reduce heat exchange with the external environment. The external pipe provides mechanical protection from the pressure of the water.
- **Pipe-in-pipe forged end** forged end of a coaxial double pipe.
- **Pipelayer** vessel used for subsea pipe laying.
- **Pipeline** pipes and auxiliary equipment used principally for transporting crude oil, oil products and natural gas to the point of delivery.
- **Pre Assembled Rack** (PAR) pipeline support beams.
- **Pre-commissioning** phase comprising pipeline clean-out and drying.
- **Pre-drilling template** support structure for a drilling platform.
- **Pre-Salt layer** geological formation present on the continental shelves offshore Brazil and Africa.
- **Pre-Travel Counselling** health and medical advice for anyone required to travel, providing them with adequate information on the specific risks in the country of destination and the relevant preventive measures to be taken.
- **PTS** (Pipe Tracking System) an electronic system used to ensure the full traceability of the components of subsea pipes installed on a project.
- **Pulling** minor operations on oil wells due to maintenance or marginal replacements.
- **QHSE** Quality, Health, Safety, Environment.
- **Rig** drilling installation comprising the derrick, the drill deck (which supports the derrick), and ancillary installations that enable the descent, ascent and rotation of the drill unit, as well as mud extraction.
- **Riser** manifold connecting the subsea wellhead to the surface.
- **ROV** (Remotely Operated Vehicle) unmanned vehicle, piloted and powered via umbilical, used for subsea surveys and operations.
- **Shale gas** unconventional gas extracted from shale deposits.
- **Shale oil** non-conventional oil obtained from bituminous shale.
- **Shallow water** sees Conventional waters.
- **Sick Building Syndrome** a cluster of symptoms in people working in a specific workplace. The exact causes of the syndrome are not known but the presence of volatile organic compounds, formaldehyde, moulds and dust mites are thought to be contributing factors.
- **S-laying** method of pipe laying that utilises the elastic properties of steel, making the pipe configuration resemble the letter “S”, with one end on the seabed and the other under tension on-board the ship. This configuration is suited to medium to shallow-water pipe laying.
- **Slug catcher** equipment for the purification of gas.

- **Smart stacking** when rig is left idle to reduce operational costs and a preservation programme is put in place.
- **Sour water** water containing dissolved pollutants.
- **Spar** floating production system, anchored to the seabed by means of a semi-rigid mooring system, comprising a vertical cylindrical hull supporting the platform structure.
- **Spare capacity** relationship between crude oil production and production capacity, i.e. quantity of oil which is not currently needed to meet demand.
- **Spool** connection between a subsea pipeline and the platform riser, or between the ends of two pipelines.
- **Spoolsep** unit used to separate water from oil as part of the crude oil treatment process.
- **Stripping** process through which volatile compounds are removed from the liquid solution or the solid mass in which they have been diluted.
- **Subsea processing** operations performed in offshore oil and/or natural gas field developments, especially relating to the equipment and technology employed for the extraction, treatment and transportation of oil or gas below sea level.
- **Subsea tiebacks** lines connecting new oil fields with existing fixed or floating facilities.
- **Subsea treatment** a new process for the development of marginal fields. The system involves the injection and treatment of sea-water directly on the seabed.
- **SURF** (Subsea, Umbilical, Risers, Flowlines) facilities, pipelines and equipment connecting the well or subsea system to a floating unit.
- **TAD** (Tender Assisted Drilling unit) an offshore platform complete with drilling tower, connected to a drilling support tender vessel housing all necessary ancillary infrastructures.
- **Tandem Offloading** method used for the transfer of liquids (oil or LNG) between two offshore units in a line via aerial, floating or subsea lines (unlike side-by-side offloading, where the two units are positioned next to each other).
- **Tar sands** mixture of clay, sand, mud, water and bitumen. The tar is made up primarily of high molecular weight hydrocarbons and can be transformed into various petroleum products.
- **Template** rigid and modular subsea structure where the oilfield well-heads are located.
- **Tendons** pulling cables used on tension leg platforms to ensure platform stability during operations.
- **Termination for Convenience** the right to unilaterally terminate the contract at any time provided they pay the agreed termination fee to do so.
- **Tie-in** connection between a production line and a subsea wellhead or simply a connection between two pipeline sections.
- **Tight oil** oil “trapped” in liquid form deep below the earth’s surface in low permeability rock formations, which it is difficult to extract using conventional methods.
- **TLP** (Tension Leg Platform) fixed-type floating platform held in position by a system of tendons and anchored to ballast caissons located on the seabed. These platforms are used in ultra-deep waters.
- **Topside** portion of a platform above the jacket.
- **Train** series of units that achieve a complex refining, petrochemical, liquefaction or natural gas regasification process. A plant can be made up of one or more trains of equal capacity operating in parallel.
- **Trenching** burying of offshore or onshore pipelines.
- **Trunkline** oil pipeline connecting large storage facilities to the production facilities, refineries and/or onshore terminals.
- **Umbilical** flexible connecting sheath, containing flexible pipes and cables.
- **Upstream** relating to exploration and production operations.
- **Vacuum** second stage of oil distillation.
- **Warm Stacking** idle plant, but one ready to resume operations in the event that a new contract is acquired. Personnel are at full strength and ordinary maintenance is normally carried out.
- **Wellhead** fixed structure separating the well from the outside environment.
- **WHB** (Wellhead Barge) vessel equipped for drilling, workover and production (partial or total) operations, connected to process and/or storage plants.
- **Workover** major maintenance operation on a well or replacement of subsea equipment used to transport the oil to the surface.

## Other terms

- **CCUS** (Carbon Capture, Utilization and Storage) covers all the solutions making it possible to reduce or fully eliminate from the atmosphere greenhouse gas emissions of polluting treatment plants.
- **ESG** (Environmental Social Governance) refers to the consideration of the operations of a company in relation of its interactions with the environment and territory, community and company management.
- **ESMA** European Securities and Markets Authority.
- **OECD** (Organisation for Economic Co-operation and Development) composed of thirty-five developed countries having in common a democratic system of government and a free market economy.
- **OPEC** Organization of the Petroleum Exporting Countries.

# CONSOLIDATED NON-FINANCIAL STATEMENT

## in accordance with Italian Legislative Decree No. 254 of December 30, 2016

*The "Consolidated Non-Financial Statement" (hereinafter the NFS) is the report drafted by Saipem to meet the requirements laid down in Articles 3 and 4 of Italian Legislative Decree (D.Lgs.) No. 254/2016, the Italian transposition of European Directive 2014/95/EU. This document reports on the management of non-financial aspects, the Group's policies, its activities, the main results and impacts generated in the year in terms of indicators and trend analysis. The document also integrates Saipem's commitment to concretely implementing the relative European Commission guidelines, in order to provide stakeholders with increasingly useful, complete and transparent non-financial information to understand the business of the Company.*

### Methodology, principles and reporting criteria

This document constitutes the "Consolidated Non-Financial Statement" of the Saipem Group (hereinafter Group, Saipem, Company) as of December 31, 2020.

The document is drawn up in accordance with Global Reporting Initiative (GRI), "Core" option GRI standards (see the "GRI Content Index" section). The Core option requires that 33 disclosures in the Organisational profile, Strategy, Ethics and integrity, Governance, Stakeholder engagement and Reporting practice areas are included and that for every material (or relevant) topic, all the requirements contained in the "Management Approach" GRI standard 103 and all reporting requirements for at least one indicator foreseen by the relevant "topic-specific" standard are met.

In order to continue to improve transparency in relation to the Company performance and facilitate the comparability of the data and information provided to stakeholders, the document also considered the indications provided by the Sustainability Accounting Standards Board (SASB) for the identification and publication of the information deemed most significant for creating long-term value for the sector. Considering the diversified operational activities of the Group, the document refers to SASB standards in two different sectors: 1) Extractives & Minerals processing sector - Oil&Gas - Services; 2) Infrastructure sector - Engineering & Construction services.

As laid down in Article 5 of Italian Legislative Decree No. 254/2016, the NFS is a separate report within the "Directors' Report", marked by a specific wording to ensure it is clearly identified. As such, it was approved by the Board of Directors of Saipem SpA on March 12, 2021. The NFS is drafted by the Corporate Sustainability function, in cooperation with all Corporate functions, divisions, companies, operational projects and sites of the Group in charge of the various topics discussed.

Specific procedures define the roles, responsibilities, activities, controls and information flows relating to the NFS reporting process.
The NFS refers to other sections of the "Directors' Report" and the "Corporate Governance and Shareholding Structure Report" with regard to the content dealt with in detail therein and in turn it contains information that fulfils the obligations referred to in the first and second paragraphs of Article 2428 of the Italian Civil Code, limited to the analysis of information on staff and the environment. Moreover, the "Report on the Remuneration Policy and Paid Compensation" provides further details on the ESG objectives included in the long term variable remuneration of Directors, Statutory Auditors and Managers with Group strategic responsibilities.

In addition to the provisions outlined by legislation, the content of the document has been defined, as established by the provisions of the GRI Standards, taking into consideration the principles of materiality, stakeholder inclusiveness, sustainability context and completeness. The principles of balance, comparability, accuracy, timeliness, clarity and reliability have been followed to guarantee the quality of the information contained in the document. The section entitled "GRI Content Index" contains details of the performance indicators reported in accordance with the adopted guidelines.

The information given in the NFS refers to material topics identified and the relative indicators, which reflect the relevant economic, environmental and social impacts of the organisation or which could substantially influence the assessments and decisions of the Group's stakeholders. The materiality analysis, updated annually and with the direct involvement of the Company's stakeholder representatives, has led to the definition of the contents to be reported. The key objectives and commitments, the description of the strategic approach to the key non-financial topics and the main risks generated and incurred in these fields, including the methods for managing them, are discussed in the relative sections of this document.

In order to provide more detailed information on the issues that are of greatest interest to the company stakeholders, since 2006 Saipem has been publishing an annual Sustainability Report which has a more communicative language and approach. The document is available on the institutional website, along with other issue-specific documents, which we refer the reader to where necessary. In particular, for the third year running, Saipem has renewed its commitment to disclosure according to the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) of the Financial Stability Board in its document "Leading the path to energy transition", which was published in October 2020 and is available on the company website. Moreover, since 2016 the Company has published an annual Modern Slavery Statement which describes the measures adopted to ensure, as required by the United Kingdom Modern Slavery Act 2015 - Section 54, that there are no forms of "modern slavery, penal labour or human trafficking" within the Company or in its supply chain. Voluntarily, the Statement considers the activities of the whole Saipem Group and not only the companies operating in the United Kingdom.

The performance indicators are gathered annually and the report refers to the three-year period 2018-2020, unless otherwise specified. The information and quantitative data collection process has been organised in such a way as to guarantee comparability over the data and analysis of the trends over a three-year period, in order to enable correct interpretation of the information and a full overview for all the stakeholders interested in the evolution of Saipem's performance. Any changes in the collection methods from the previous year are suitably indicated in the document.

Starting from 2019, for a sample of the Group's companies (which was extended in 2020) Saipem has implemented an Internal Control System that is dedicated specifically to Non-Financial Disclosures and is based on the Framework of the Committee of Sponsoring Organization (CoSO). The aim of the Internal Control System is to further increase the reliability of non-financial reporting as a whole, and to introduce an additional internal auditing process by the functions.

The Control System on Non-Financial Disclosures is governed internally by the "Management System Guideline for Internal Control System over Non-Financial Information". The system envisages two monitoring sessions: Line Monitoring, carried out by internal functions on the data for which the function is responsible, and Independent Monitoring, carried out by the Internal Audit function on other Company functions.
With regard to the security of data and information managed by the Company, not exclusively for the purposes of this document, Saipem has adopted security measures to ensure that all technical applications and infrastructure are completely integrated with the security systems for protection against cyber security threats, which also provide additional guarantees for the reporting systems.

The NFS is subject to specific conformity approval by an independent auditor, which in a specific and separate report expresses its certification of the conformity of the information provided pursuant to Article 3 (10) of D.Lgs. No. 254/2016 and of the "Global Reporting Initiative Sustainability Reporting Standards" defined by the GRI - Global Reporting Initiative ("GRI Standards"), identified as reporting standards. The limited audit did not apply the directives provided by the SASB. The audit is carried out according to the procedures indicated in the section "Independent Auditors' Report" of this document.

## Reporting boundary

The NFS contains the information and performance indicators for Saipem SpA and the fully consolidated subsidiaries in the "Annual Report", as prescribed by Italian Legislative Decree No. 254/2016. Any changes in the reporting boundary from the previous year are described in the "Principles of consolidation" section of the "Annual Report".

In some contexts there are deviations from the consolidation scope defined above, in any case guaranteeing the criterion of significant impact. As regards the security data, it is underlined that, from 2018, these are accounted for separately for Saipem and its subcontractors. On the other hand, environmental indicators also include the data for subcontractors operating on Saipem and partner sites in activities where Saipem is responsible for HSE management. Furthermore, the significance limits for the inclusion of operating sites in the scope (No. of people on site or, in the case of offices not belonging to Saipem, the type of lease contract) are also defined for these indicators.
Please also note that companies that do not have significant business activities are excluded from relations with local stakeholders.

To ensure the understanding of the Company's activities, progress, results and the impact it has produced, as laid down in D.Lgs. No. 254/2016, i.e. to provide the information necessary to ensure the understanding of the activities of the whole Saipem Group, its progress, results and the impact it has produced, and also to guarantee the comparability of its performance in relation to the information published in other corporate documents, in addition to the complete boundary (referred to as the "Consolidated boundary" in this document), the indicators are also given with a broader reporting boundary, including subsidiaries that are not fully consolidated and those in joint operation, joint control or affiliated companies in which Saipem has control over the operations. These indicators are marked by the wording "Group Total".

For some material topics, the impact of Saipem's activities is manifested beyond the boundary of the organisation. As foreseen by the principle of information completeness defined by GRI Standard 101: Foundation, the organisation is bound to report the boundary for each material topic not only concerning the impacts caused directly by its own activities but also the impacts it contributes to and which are linked through business relations to its own activities, products and services. For this purpose and concerning the most significant issues, Saipem reports some significant indicators and information also referred to activities it does not directly manage. The following table identifies the external boundaries by category of concerned stakeholder, also indicating any limitations that impact each material topic.

| Material topics | External boundary | Limitations |
|---|---|---|
| Occupational health & safety | Vendors and subcontractors, some local communities | Partial, for vendors |
| Safety Leadership and culture | Vendors and subcontractors, some local communities | Partial, for vendors |
| Business ethics | Business partners, vendors and subcontractors | - |
| Anti-corruption & bribery | Business partners, vendors and subcontractors | - |
| Environmental and social responsibility throughout the supply chain | Vendors and subcontractors | Partial, for vendors |
| Guaranteeing human rights through the supply chain | Vendors and subcontractors | Partial, for vendors |
| Artificial Intelligence and digitalisation | - | - |
| Advanced technologies & innovation | - | |
| Employee development | Subcontractors (HSE training) | - |
| Local community support & development | - | The models for calculating the value generated were applied to some operating situations |
| Diversity & inclusive workplace | - | - |
| Employee engagement and satisfaction | - | - |
| Employee health & well-being | - | - |
| Employee incentives & benefits | - | - |
| Employee attraction, talent management & retention | - | - |
| Energy efficiency | Vendors and subcontractors | Vendors |
| GHG emissions & reduction | Vendors and subcontractors | Vendors |
| Transition to low-carbon business | - | - |
| Climate change risks & management | - | Partial, for vendors |
| Air emissions & reduction (non GHG) | Vendors and subcontractors | Vendors |
| Use of alternative fuels | Vendors and subcontractors | Vendors |
| Water management | Vendors and subcontractors | Vendors |
| Recycling and reduce waste | Vendors and subcontractors | Vendors |
| Transition to a circular economy | - | - |

## Materiality analysis and content definition

The NFS reports on the areas laid down in D.Lgs. No. 254/2016 deemed to be significant and material according to a process that considers the specific activities of Saipem and the interests of all categories of Company stakeholders, as described below.
As established by the provisions of the GRI Standards and in accordance with Saipem procedures, the Company implements a materiality analysis process every year. This is aimed at identifying and prioritising the sustainability aspects of its business that could substantially influence the assessments and decisions of its stakeholders and are considered most significant for the Company itself. The analysis is carried out with the involvement of representatives from all the main stakeholder categories (including employees), the company's management and the Board of Directors.

Following is a representation of the process in its subsequent work phases.

| IDENTIFICATION OF SIGNIFICANT TOPICS FOR THE SECTOR IN RELATION TO SAIPEM BUSINESS SUSTAINABILITY | ANALYSIS OF SIGNIFICANT TOPICS FOR SAIPEM STAKEHOLDERS | ANALYSIS OF PRIORITY TOPICS FOR THE COMPANY'S MANAGEMENT AND TOP MANAGEMENT | SELECTION OF MATERIAL TOPICS FOR THE COMPANY |
| --- | --- | --- | --- |
| Analysis of the sustainability context of Saipem's business, sustainability rating agencies, means of communication and customer and competitor benchmarks to map significant sustainability themes for the reference industry, in consideration also of emerging themes and global trends. An overall set of 48 topics was identified | Survey administered to representatives of all corporate stakeholder categories (over 2,900 respondents): clients, business partners, trade associations, investors, insurance companies, NGOs, representatives of local communities, authority representatives, vendors and Saipem employees). The analysis of key themes for Saipem stakeholders was aggregated with analyses relating to: key themes for clients, competitors and energy sector businesses; regulations; news and social channels | Consultation, through a survey, of Saipem's senior management and the Sustainability, Scenarios and Governance Committee | Identification of the 24 most significant topics for the Company and stakeholders, on which the non-financial and sustainability statements are based and which the Company takes into account to define its future objectives |

The respondents (external stakeholders, Saipem employees and senior management) identified the most important topics, assessing them in accordance with the responsibility principle (topics that the respondent considers must be managed by Saipem as the company in charge) and the value (economic, social, cultural, reputational, environmental, etc.) created for Saipem itself, in favour of its stakeholders, and for civil society in the broadest sense.
To enable a more precise and objective identification of the priority areas for the company's stakeholders, the sustainability issues for the business have been updated with new emerging topics within the relevant context and certain issues from the previous analysis were redefined in more detailed sub-issues. The 2020 materiality matrix therefore includes 48 issues that are analysed, from which 24 have been highlighted as a higher priority. More details and a representation of the results are available in section "Methodology and reporting criteria" of the 2020 Sustainability Report "Ready for the transition - Enabling a green future".
The Board of Directors was involved in the analysis process through the Sustainability, Scenarios and Governance Committee, whose members expressed their evaluations during the meeting on November 17, 2020.
The end results of the materiality analysis were validated by the Sustainability Committee, chaired by the CEO and consisting of the Company's top management, and agreed with the Sustainability, Scenarios and Governance Committee and the Board of Directors.
The topics that emerged from the materiality analysis become the basis for the definition of the Saipem Sustainability Plan, across-the-board for all business lines, that is later taken into consideration for the definition of the four-year action plan and company targets. More details on the ESG objectives included in the long-term variable remuneration of Directors, Statutory Auditors and Managers with strategic Group responsibilities are available in the "Report on the Remuneration Policy and Paid Compensation".

To facilitate the reading of the NFS, the icons given in the following table help to visually identify the macro-areas of the related material topics presented in Saipem's materiality matrix.

For a description of the risks identified by the Company in relation to the five areas for discussion laid down in D.Lgs. No. 254/2016 and the topics identified as material for the Company, in addition to what explained in the specific sections of the NFS, reference is also made to the "Risk management" section of the "Directors' Report" for a more complete description integrated into Saipem and its subsidiaries' overall Enterprise Risk Management system.

| MATERIAL TOPICS/RISKS DESCRIBED IN THE DIRECTORS' REPORT - "RISK MANAGEMENT" | Related to strategic positioning | Related to technological development | Related to health, safety and the environment | Digital and IT risks | Risks related to the supply chain | Risks related to political, social and economic instability and to pandemics | Business integrity risks | Cyber risks | Risks related to human resources |
|---|---|---|---|---|---|---|---|---|---|
| Occupational health & safety | | | ■ | | | ■ | | | ■ |
| Transition to low-carbon business | ■ | ■ | ■ | | | | | | |
| GHG emissions & reduction | ■ | | ■ | | | | | | |
| Anti-corruption & bribery | | | | | ■ | | ■ | | |
| Business ethics | | | | | ■ | | ■ | | |
| Energy efficiency | ■ | | ■ | | | | | | |
| Climate change risks & management | ■ | | ■ | | | | | | |
| Air emissions & reduction (non GHG) | ■ | | ■ | | | | | | |
| Water management | | | ■ | | | | | | |
| Environmental and social responsibility throughout the supply chain | | | ■ | | ■ | | | | |
| Employee attraction, talent management & retention | | | | | | | | | ■ |
| Use of alternative fuels | ■ | | | | | | | | |
| Recycling and reduce waste | | | ■ | | | | | | |
| Safety Leadership and culture | | | ■ | | | | | | |
| Employee development | | ■ | | ■ | | | | | ■ |
| Local community support & development | | | | | | ■ | | | |
| Diversity & inclusive workplace | | | | | | | | | ■ |
| Employee engagement and satisfaction | | | | | | | | | ■ |
| Employee health & wellbeing | | | ■ | | | ■ | | | ■ |
| Employee incentives & benefits | | | | | | | | | ■ |
| Artificial Intelligence and digitalisation | | ■ | | ■ | | | ■ | ■ | |
| Advanced technologies & innovations | ■ | ■ | | ■ | | | | | |
| Transition to a circular economy | ■ | | | | | | | | |
| Guaranteeing human rights through the supply chain | | | | | ■ | | | | |

## LEGISLATIVE DECREE NO. 254/MATERIAL TOPICS/NFS CONTENT CORRESPONDENCE

| **Areas laid down in D.Lgs. No. 254/2016** | **Saipem material topics** | **GRI Standards** | **Icon** | **Sections of the Saipem 2020 NFS** | **Discussion in other documents** |
|---|---|---|---|---|---|
| Company management and organisation model<br>Article 3.1, subsection a | | GRI 102: General Disclosures 2016<br>GRI 201: Economic Performance 2016<br>GRI 204 : Procurement Practices 2016 | | Company management and organisation model. | More information in "Human resources" and "Governance" chapters of the Directors' Report. 2020 Corporate Governance and Shareholding Structure Report. |
| Policies<br>Article 3.1, subsection b | | | | In the specific "Management policies and system" sections of each issue discussed. | Corporate policies are available in the Documentation section on the website www.saipem.com. |
| Environmental topics:<br>- environmental impacts Article 3.2, subsection c<br>- energy and emissions Article 3.2, subsection a; Article 3.2, subsection b<br>- water resources Article 3.2, subsection a | Energy efficiency.<br>Reduction in GHG emissions.<br>Reduction in air pollutants (non GHG).<br>Management of risks connected to climate change.<br>Transition towards activities with low carbon emissions.<br>Use of alternative fuels.<br>Water resource management.<br>Recycling and reduction of waste. | GRI 201: Economic Performance 2016<br>GRI 302: Energy 2016<br>GRI 303: Water and Effluents 2018<br>GRI 305: Emissions 2016<br>GRI 306: Waste 2020 | | Energy efficiency and GHG emissions.<br>Spill prevention and recovery.<br>Innovation and research into climate change; innovation in people management. | Chapters "Driving the energy transition", "Growing the leaders of the future" and "Generating shared value" of the 2020 Sustainability Report "Ready for the transition - Enabling a green future". |
| Human resources management<br>Article 3.2, subsection d<br>Impacts on health and safety<br>Article 3.2, subsection c | Workplace Health and Safety.<br>Leadership and safety culture.<br>Support and development of local communities.<br>Development of employees.<br>Diversity and inclusive working environment.<br>Involvement and satisfaction of employees.<br>Health and well-being of employees.<br>Incentives and benefits for employees.<br>Attracting employees, management and retention of talent. | GRI 401: Employment 2016<br>GRI 403: Occupational Health and Safety 2018<br>GRI 404: Training and Education 2016<br>GRI 405: Diversity and equal opportunity 2016<br>GRI 412: Human Rights Assessment 2016 | | Safety.<br>Health.<br>Skill and knowledge development. | Chapters "Driving the energy transition", "Growing the leaders of the future" and "Generating shared value" of the 2020 Sustainability Report "Ready for the transition - Enabling a green future". |
| Social aspects<br>Article 3.2, subsection d | | GRI 202: Market presence 2016<br>GRI 308: Supplier Environmental Assessment 2016<br>GRI 414: Supplier Social Assessment 2016 | | Creation of sustainable value over time.<br>Ethical supply chain management.<br>Security practices.<br>Saipem people and all subsections. | Chapter "Generating shared value" of the 2020 Sustainability Report "Ready for the transition - Enabling a green future". |
| Respect for human rights<br>Article 3.2, subsection e | Human Rights.<br>Support and development of local communities. | GRI 406: Non discrimination 2016<br>GRI 407: Freedom of Association and Collective Bargaining 2016<br>GRI 408: Child Labour 2016<br>GRI 409: Forced or Compulsory Labour 2016<br>GRI 410: Security Practices 2016 | | Saipem people and all subsections.<br>Respect for human rights. | Chapter "Generating shared value" of the 2020 Sustainability Report "Ready for the transition - Enabling a green future". |
| Fighting corruption<br>Article 3.2, subsection f | Business ethics<br>Fight against corruption. | GRI 205: Anti-corruption 2016<br>GRI 415: Public policy 2016 | | Fighting corruption. | |

# OUR BUSINESS

## Company profile and key operations

GRI 102-2, 102-4, 102-6, 102-7
SASB IF0301-A/B/C
SASB EM-SV-000. A/B/C/D

The Saipem Group is a provider of global solutions for the energy and infrastructure sectors, operating in over 70 countries, with 9 fabrication yards, a sea fleet of 44 vessels and an onshore drilling fleet of 85 units, of which 82 owned and 3 owned by third parties but operated by Saipem. The Group operates in Europe, the Americas, the CIS, Africa, Middle East, Far East and Oceania. The Group has specialist skills in the management of complex projects, from design to decommissioning, in extreme environments, remote areas and deep waters.
The market conditions in which the Group operates are described in the "Market conditions" section of the Annual Report.
To foster energy transition, responding to and anticipating current and future market needs, the Group has made innovation and digitalisation key elements of its strategy, a commitment affecting both the conventional business linked to fossil fuel sources and to the development of new technologies for the emerging renewable energy markets.
The Saipem Group's business model enhances the synergies between the different business areas and the external context in which it operates, aiming to constantly identify new solutions to increase operational efficiency, reduce the environmental impacts of operations and products supplied to clients, and to improve the safety of staff and vendors.
Additional information on the company profile and the operations by business Division is available in chapters "Offshore Engineering & Construction", "Onshore Engineering & Construction", "Offshore Drilling" and "Onshore Drilling" of the Annual Report.

| Metrics of operational activities in the year | Unit of measurement | 2020 |
|---|---|---|
| Onshore drilling rigs [(a)] | (number) | 86 |
| Offshore drilling rigs [(b)] | (number) | 12 |
| Onshore wells | (number) | 156 |
| Metres drilled onshore | (metres) | 487,821 |
| Offshore wells | (number) | 72 |
| Metres drilled offshore | (metres) | 15,805 |
| Total backlog [(c)] | (€ million) | 22,400 |

(a) Of which 83 are company owned and 3 are owned by third parties.
(b) Of which 3 are on a long term lease. Compared to the assets reported in 2019, a plant was transferred in December for decommissioning in accordance with the current regulations (green recycling).

## Development of the market scenario and strategy

More than a year after its outbreak, the spread of the Coronavirus epidemic has caused a profound change in global stability and economic dynamics. The major impacts that were clearly seen during 2020 may well have repercussions both in the medium and long term future. In the shorter term, the reversal of the collapse in aggregate demand that was seen in 2020 has already begun at different speeds in the various global economies, with China leading the way. In the various regions, the speed and extent of the recovery will depend on multiple factors, including the duration and extension of new waves of the infection, the speed of the vaccination campaigns and the effectiveness of vaccines, especially for the increasing number of new virus variants. The considerable economic support mechanisms implemented in the various regions will represent, in 2021 and in the years to come, an important driver of the recovery and will make sustainability a key factor in the selection of development projects and investments.
The long-term prospects in the post-COVID era point to a global economy that is increasingly able to reduce its dependence on energy consumption, particularly from fossil sources.
Scenarios based on an increase or stabilisation of $CO_2$ emissions from current levels are becoming increasingly less likely. Conversely, scenarios characterised by lower levels of $CO_2$ emissions are becoming much more probable for a variety of reasons: the widespread awareness of climate risks by citizens in different regions of the world, the drive from investors (who are increasingly focused on ESG issues, especially climate-related ESG issues), technological evolutions (which are making certain energy sources or energy carriers increasingly competitive), policies and commitments from the world's major economies (the EU, China and, more recently, the US, that has rejoined the Paris COP 21 agreement following the inauguration of the new President). Although low $CO_2$ emission scenarios offer a range of projections, they point to a gradual reduction in global energy demand in coming decades, alongside a change in the energy mix (with less fossil fuels, particularly coal and oil) and the use of technologies that are expensive but deemed important for achieving the challenging decarbonisation targets the world is setting (e.g. the capture and storage of carbon dioxide produced by industrial activities and the production of hydrogen as an energy carrier). The COP 26, which will be held in 2021, will play an important role in consolidating efforts and commitments in this direction.

There are obviously different challenges that must be faced to put into practice all the stated commitments and policies, starting from laws and regulations on greenhouse gas emissions that are binding for the majority of countries and economic actors, while achieving a sustainable balance with the legitimate economic aspirations of emerging countries and the complex regulations on global trade.

To exploit the opportunities of this new scenario and remain competitive, Saipem has leveraged its organisational structure, with five more independent divisions, and has increased its efforts in the field of sustainability for its portfolio, with significant growth in non-oil sectors, including gas and LNG, and a focus on clean technologies, digitalisation and decarbonisation.
On the other hand, Saipem has a contractor DNA, capable of integrating engineering skills and capabilities implementation and problem solving, constant orientation towards innovation and multiculturalism; such DNA makes able to adapt to changes in the context, to support customers – as a technological and operational partner – in the proposal of solutions that are always new and suitable for specific contexts and needs in the energy field and other businesses in which the contractor's experience and skills can be spent.
Beyond the traditional markets (traditional and subsea developments), the Offshore E&C Division is today becoming one of the leading contractors for offshore wind farm developments. This actual diversification builds on our execution skills and the opportunity to use our conventional offshore construction fleet in this new market. In the Onshore E&C business, gas and renewables will be the main drivers in decarbonisation progress for the current portfolio, along with technical solutions for minimising the carbon footprint of plants, with the goal of reducing to zero the overall carbon emissions along the EPC value chain. An increasing focus will be placed on the technological portfolio and emerging green technologies, like hydrogen, bio-technologies, hybrid solutions and Carbon Capture Utilisation and Sequestration (CCUS). The development of these innovations is important to support Saipem’s traditional Oil&Gas clients in the energy transition, by providing targeted solutions for reducing carbon emissions, as well as improving the management of waste, pollutants, consumption of water and the overall environmental impact. Innovation will continue to play a crucial role and will also be supported by the XSIGHT engineering Division, which will help to identify and define transversal technical solutions for both Oil&Gas and renewables, including the conversion of plastic materials, bio refineries, integration in the use of renewable and traditional sources, the production of hydrogen and a range of interventions to achieve decarbonisation. Both drilling divisions will keep focusing on the continuous improvement of their operational efficiency, also through the digitalisation of their assets contributing to the reduction their carbon footprint, as well as the diversification and extension of their fleet, clients and geographical areas, as a result of an increasingly well-balanced sustainable global portfolio.

## Sustainable development partnerships

In May 2020, Saipem signed a Protocol of Understanding with Cassa Depositi e Prestiti [Italian welfare fund] to jointly assess launching innovative, high environmental, social and economic sustainability projects, for promoting energy transition both nationally and internationally.
These initiatives and projects, which have as their goal the decarbonisation, the circular economy and energy efficiency, will mainly involve:
- the development and construction of infrastructure for the production of energy from renewable sources, including conventional photovoltaic systems and floating systems for use on both water basins and offshore wind farms (on fixed and/or floating foundations);
- the development of circular economy projects, with an additional focus on investment procedures including the use of specific technologies (such as technologies for exploiting household and industrial waste, the disposal of plastics);
- intervention models for the promotion, development and construction of infrastructure for the supply, transformation and use of liquefied natural gas (LNG) in maritime transport.

In the same month, Saipem also signed a framework agreement with Equinor lasting two years to provide engineering services at a global level for the Company’s future projects, including energy projects in the onshore, offshore and floating wind farm sectors. This agreement adds to the existing agreement for the development of an innovative technological solution for a floating solar farm for coastal installations.
In August, a Memorandum of Understanding was signed with Fincantieri, with the aim of analysing the development potential of the Deep Sea Mining (DSM) market, i.e. the sustainable use of resources from the seabed at a depth of more than 3,000 metres. This strategic partnership will establish the sustainable feasibility, development and business opportunities in the design, engineering, construction and management of DSM systems.
In September 2020, Snam and Saipem signed a Memorandum of Understanding which establishes a partnership between the two companies on new technologies focused on energy transition. The agreement, which was signed by the companies’ CEOs, aims to identify and to jointly develop initiatives linked to the production and transport of green hydrogen and the capture, transportation and reuse or storage of carbon dioxide (CCS and CCU), in order to fight climate change and contribute to the launching of the hydrogen market by supporting the European Commission’s Hydrogen Strategy.

The partnership between Snam and Saipem is already ongoing for the development of water electrolysis technology, a process that will make it possible to reduce $CO_2$ emissions to zero in the production of green hydrogen, thereby effectively fighting global warming.
This agreement also involves a collaborative effort to develop feasibility studies in order to find new solutions for the transportation of hydrogen in a liquid or gaseous form by using and adapting existing infrastructure and networks, as well as by transporting it by maritime vessel, and the capture, transportation, storage or exploitation of $CO_2$.
In November 2020, a collaboration agreement was signed with Italy's National Research Council (CNR) that will enable the body to use the Hexafloat concept, Saipem's solution for a pendulum-type floating foundation for wind turbines. The solution will be used in a strategic research project for the industrial system of the offshore renewable energies sector (studies on floating wind and solar farms at sea), financed by the electrical system research fund in Italy and which fall within the scope of the programme agreement that was drawn up with the Ministry of Economic Development for the three-year period 2019-2021.
In the same month, a framework agreement – Long Term Agreement (LTA) – was also signed with Saudi Aramco. This will last twelve years and will cover onshore engineering and construction activities. The agreement will involve activities for improving the efficiency of existing facilities and is part of Saudi Aramco's broader long-term plan to modernise its facilities in the country's Eastern Province with the aim of optimising consumption and reducing $CO_2$ and $H_2S$ emissions.
Also in November, a collaboration was signed for a free of charge agreement for studies and research in the geothermal sector with the Italian National Institute of Geophysics and Volcanology (INGV). This research will be shared with the scientific community and civil society and will lead to a study of the Mediterranean's geothermal resources in order to exploit these on a large scale.

Finally, in December 2020, a Memorandum of Understanding was signed with Eni, for cooperation in identifying and engineering decarbonisation projects and initiatives in Italy, particularly for the capture, transportation, reuse and storage of $CO_2$ produced by industrial districts in Italy.
Through the MoU, Eni and Saipem will also evaluate whether to take part in programmes funded by the EU through its Green Deal, and propose the potential inclusion of specific initiatives within the plan for supporting member states of the European Union in the post COVID-19 phase ("Recovery and Resilience Fund").

## Company management and organisation model

For Saipem 2020 was marked by a continual research for rapid responses to the evolution of the markets and the complex global context which characterised the entire year, by developing initiatives to make the most of opportunities within its business sector and promptly respond to the request to diversify its offer, whilst continuing to pursue efficiency maximisation, the improvement of the Company's performance and profitability, the alignment and simplification of organisational structures and underlying operational models, in order to maintain its competitive advantage.
The organisational structure of Saipem has:
- an operational Corporate structure with Group-level leadership and control that is responsible for managing issues relating to critical or relevant aspects of corporate governance;
- five Divisions – Onshore E&C, Offshore E&C, Onshore Drilling, Offshore Drilling, XSIGHT – each with full responsibility over global business results and with all the decision-making, management and operational powers that are necessary to the pursuit of the targets set;
- a network of operating companies and branches located in the different countries in which Saipem operates, reporting directly to the five Divisions, ensure the development of commercial and operational activities in the relevant national and international markets.

During the course of 2020, while always respecting Saipem's compliance requirements and governance principles, as well as the expected trade-off between the "Corporate role" and the "level of independence of the Divisions", the following main organisational interventions were carried out:
- definition of the new organisational configuration and operating model of the Chief Financial Officer, aimed at greater alignment with the Saipem divisional configuration, including by introducing dedicated roles in each Division for monitoring and satisfying the requirements of those business branches' administration, finance and control needs;
- reorganisation of Strategies and M&A activities, for greater focus on defining strategic scenarios, lines and directions to support the company management, as well as optimise process synergies for evaluating and managing corporate strategic operations;
- review of the company ICT/Digital operating model, in order to optimise the effectiveness and efficiency of the dedicated organisation and the company's working processes and digital expertise;
- establishment of a dedicated structure for grasping new opportunities for Saipem within the context of investments in facilities for the recovery and resilience of the various countries of interest;
- development of the initiative "Simplification and Optimisation of the Saipem Operating System", with the aim of reducing organisational and operational complexity in interactions between the Corporate office and the

Divisions, while also increasing the accountability and operational independence of the Divisions for activities they develop;
- within the Onshore Engineering & Construction Division: definition of operating models to enable a modular approach in the execution of projects and achieve an increasing integration of the engineering and procurement activities; launching of the "Procurement Excellence Programme" to identify the most advanced driving force of procurement;
- within the Offshore Engineering & Construction Division: definition of the new operating model for the new challenges stemming from the evolution of the competitive scenario and the market situation, based on three Business Lines and the optimisation of geographical coverage;
- within the Onshore Drilling, Offshore Drilling and XSIGHT Divisions: fine-tuning and alignment of the organisational and operational structures, for a continual research of effectiveness and efficiency both in Italy and abroad.

## Supply chain management

GRI 102-9
GRI 204-1

In executing its operational projects, and in the normal course of its activities, the Saipem Group relies on numerous vendors of works, goods and services. Saipem is committed to maintaining and improving relations with the companies that work with and for Saipem to make them lasting, mutually profitable and reliable for both parties.
The Saipem supply chain has almost 24,000 level 1 vendors, distributed in all the geographical areas in which the Company operates, with a prevalence (32%) of vendors from the European area. The product categories of works, goods and services required to perform Saipem's activities, which are classified to define uniform vendor-product combinations, total around 2,200, of which more than 1,000 are classified as strategic categories, i.e. deemed essential for the development of the Company's core business. In 2020, the product categories with the highest purchase volume were those relating to mechanical assemblies, design, production and installation of cryogenic tanks, equipment (generators with gas turbines), steel components, civil works and services relating to staff.
The complexity and heterogeneity of the Company's supply chain lead to the need for a system guaranteeing an alignment between the Saipem standards and those adopted by its vendors, to prevent and mitigate risks and ensure an appropriate supply chain that can cope with the needs of current operational projects and potential acquisitions and developments in market conditions.
Saipem demands to its vendors to apply the highest standards of health and safety, combating bribery and corruption, respect for human rights and environmental protection. More details on the management of the supply chain in terms of the sustainability of their operations, with particular attention to the respect for human rights and HSE issues, are available in the "A sustainable supply chain" section of this document.

**1** PROCUREMENT STRATEGIES AND PLANNING

**2** CONTRACT AWARDS

**3** POST-ORDER AND CONTRACT MANAGEMENT

**4** VENDOR MANAGEMENT

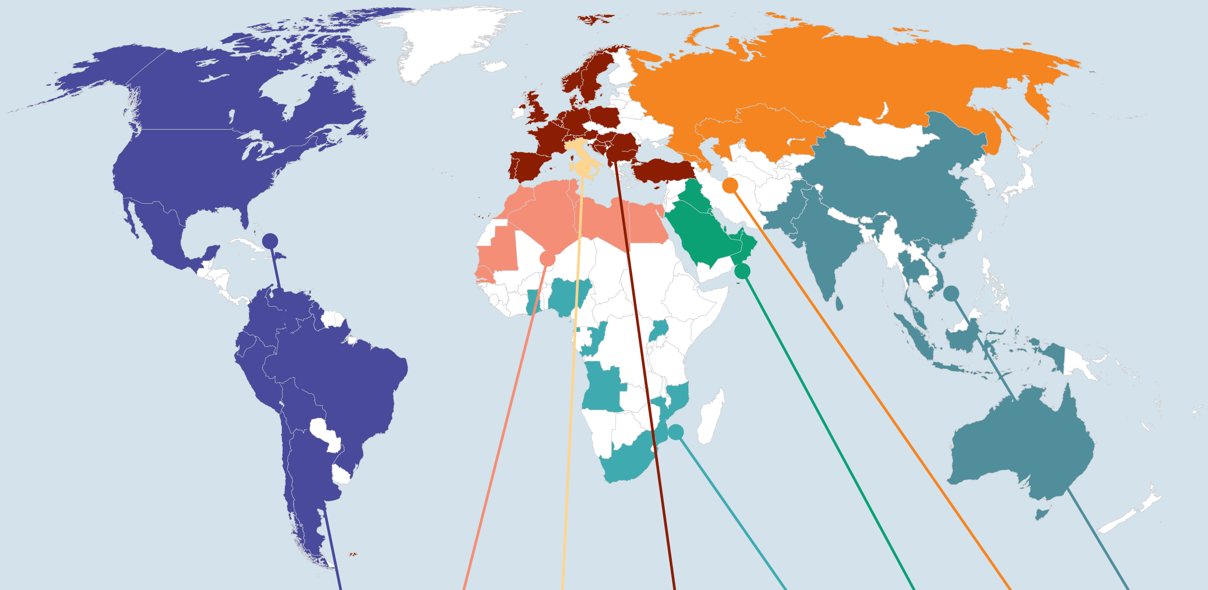
**5** REPORTING, CONTROL AND MANAGEMENT OF DOCUMENTATION

According to the principle of open competition, Saipem guarantees equal commercial opportunities for all companies which may potentially provide works, goods and services for its business, selecting its vendors and subcontractors from all over the world. Vendors are assessed in terms of technical and financial reliability and organisational capacity, including conformity with the principles expressed in the Saipem Sustainability Policy and Code of Ethics, as well as the requirements laid down in the specific HSE policies and standards.
The requirements are checked during the vendor qualification phase using a questionnaire, and where required also through more specific assessments and visits to production sites in the case of critical supplies.

Additional checks on technical aspects and the vendor's ethical integrity are also carried out prior to the signature of actual purchase contracts.
The monitoring and control of vendor performances are fundamental phases of the relational process with vendors, as these offer a reduction in the risks associated with the supply and provide inputs to the vendor aiming to improve their own processes and performance.

## EXPENDITURE FOR OPERATING PROJECTS (*) BY GEOGRAPHICAL AREAS

(€ million)



| | Americas | North Africa | Italy | Europe | Sub-saharan Africa | Middle East | CIS | Oceania and East Asia |
|---|---|---|---|---|---|---|---|---|
| Global vendors | 7 | 38 | 224 | 420 | 265 | 283 | 311 | 30 |
| Local vendors (**) | 80 | 20 | 364 | 1,143 | 1,787 | 878 | 715 | 825 |
| % of expenditure for operating projects at a local level on total | 92% | 35% | 62% | 73% | 87% | 76% | 70% | 97% |

(*) Estimated monetary value of payments made to vendors in 2020.
The amount spent in the year not due to operational projects (property investments, personnel costs and other operating costs) is €1,340 million.
(**) Local vendors means entities that have their registered offices in countries included in the geographical area indicated.

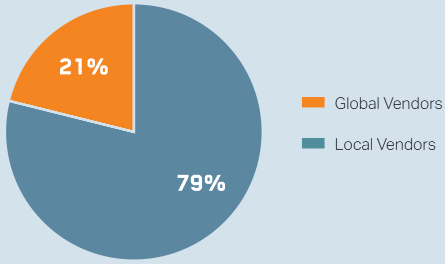
The procurement process, aiming to satisfy the needs expressed by the Group's different units, aims to maximise the overall value for Saipem, guaranteeing the availability and quality of the vendors, the correct management of contracts, logistic flows and post-order activities. The process is divided into five sub-processes which include, in order: the definition of the market approach strategy to be applied to the various supplies and the definition of project and non-project procurement plans using efficient and effective purchasing solutions; contract/purchase order processing and issue activities, including relations with vendors, and finally Post-order activities and contract management. The supply chain flow described above is further divided into the sub-process relating to Vendor Management, which ensures the availability of a fleet of vendors that is quantitatively and qualitatively appropriate to the goods, works and services required to meet the Group's needs, according to the required economic, financial, ethical, professional, technical and HSE standards; finally, the sub-process relating to Reporting, control and management of documentation, which, through the management of documentation, guarantees the traceability of all phases of the Supply Chain process, making available information, key performance indicators and possible actions for improvement in relation to all supply chain activities.

## How our business model creates value

GRI 201-1
GRI 201-4

Knowledge of the external context, as well as active listening to all interlocutors, helps to create long-term sustainable value, combining economic and social growth.
Through the activities of the Group's companies, the relations they have with stakeholders in all territories, as well as cooperations and partnerships, Saipem's business model promotes sustainable development, fully in line with the indications of the United Nations Global Compact, of which Saipem has been an active member since 2016, which underline the importance of the increasing integration of sustainability into strategic corporate choices. More information on the business model of the organisation are available in the "Directors' Report" of the 2020 Annual Report, specifically in the chapters "Offshore Engineering & Construction", "Onshore Engineering & Construction", "Offshore Drilling" and "Onshore Drilling".

AMOUNT SPENT FROM LOCAL SUPPLIERS FOR OPERATIONAL PROJECTS




## Economic value generated and distributed

GRI 201-1

Saipem produces economic value through its activities and redistributes part of that value, contributing to the economic growth of the social and environmental context it operates in.
In 2020, Saipem generated economic value worth €6,689 million, a reduction of 24% compared to the previous year. €7,806 million was distributed to stakeholders in the form of payments and other forms of transfer. The main beneficiaries of this value were the supply chain, to whom €5,347 million (68% of the overall value distributed, compared to 72% in 2019) and employees, to whom €1,625 million were distributed (€1,670 million in the previous year), equal to 21% of the total. A significant share of the value was also distributed to suppliers of capital (€691 million, equal to 9% of the value distributed, compared to €643 million in 2019).
The share destined to the public administration – in the form of taxes and charges – was €143 million (2% of the distributed value).

### Economic value generated and distributed

| (€ million) | 2019 | 2020 |
|---|---|---|
| **Economic value generated** | | |
| Core business revenue | 9,099 | 7,342 |
| Revenue and other income | 19 | 66 |
| Financial income | 515 | 465 |
| Financial instruments | (82) | 60 |
| Net reversals of impairment losses (impairment losses) on trade receivables and other assets | (62) | (7) |
| Other operating income (expense) | - | (1) |
| Gains (losses) on equity investments | (18) | 37 |
| (Gross) economic value generated | 9,471 | 7,962 |
| Depreciation, amortisation and impairment losses | (690) | (1,273) |
| Economic value generated (net of depreciation, amortisation and impairment losses) | 8,781 | 6,689 |
| **Economic value distributed and retained** | | |
| Economic value distributed | 8,683 | 7,806 |
| of which Operating expenses (purchases, services and other costs) | 6,239 | 5,347 |
| of which Wages and employee benefits (personnel expenses) | 1,670 | 1,625 |
| of which to the Community (*) | 1 | 1.6 |
| of which Capital providers (interest on loans) | 643 | 691 |
| of which to the Public Administration (taxes) | 130 | 143 |
| Economic value retained in the group | 97 | (1,117) |

(*) These are understood to be local communities in the countries the company operates in, for social economic development, environmental preservation, cultural, humanitarian, scientific and sporting projects.

## Tax transparency

The disclosures and data in this paragraph have been calculated based on the Country-by-Country reporting the parent company Saipem SpA presented to the Italian Revenue Agency for the 2019 tax year, as set forth in the Decree of February 23, 2017 of the Ministry of Finance on reporting obligations relating to the automatic obligatory exchange of information in the fiscal sector.

The Tax Policy of the Saipem Group aims to define the guidelines and key principles the company's operations must be inspired by in the management of taxes – something the Company pays the utmost attention to – in order to guarantee the correct and prompt payment of taxes in accordance with the law, the performance of tax obligations and the limitation of tax risks.

| (€ million) | Revenues Non-Related Parties | Revenues Related Parties | Revenues Total | Profits (losses) before income taxes | Income taxes paid (based on cash accounting) | Incomes taxes accrued - current year | Workforce (units) |
|---|---|---|---|---|---|---|---|
| **Gap between tax rates** | | | | | | | |
| **Americas** | | | | | | | |
| range 20%<x<25% total (1) | 214.5 | 46.2 | 260.7 | (16.8) | 11.6 | 6.0 | 580 |
| range x>25% total (2) | 381.9 | 41.5 | 423.3 | (88.3) | 8.3 | 7.6 | 2,135 |
| **Total Americas** | **596.4** | **87.7** | **684.0** | **(105.1)** | **19.9** | **13.6** | **2,715** |
| (1) Includes: USA, Bolivia, Ecuador, Guyana. | | | | | | | |
| (2) Includes: Canada, Chile, Peru, Argentina, Mexico, Colombia, Brazil, Venezuela. | | | | | | | |
| **CIS** | | | | | | | |
| range 20%<x<25% total (1) | 873.4 | 9.6 | 883.0 | 244.5 | 53.3 | 52.9 | 2,193 |
| **Total CIS** | **873.4** | **9.6** | **883.0** | **244.5** | **53.3** | **52.9** | **2,193** |
| (1) Includes: Georgia, Kazakhstan, Russia, Azerbaijan. | | | | | | | |
| **Europe** | | | | | | | |
| range x<10% total (1) | 152.1 | 185.1 | 337.2 | (95.5) | 5.1 | 1.3 | 615 |
| range 10%<x<15% total (2) | 96.4 | 29.0 | 125.4 | 8.2 | 0.3 | 1.2 | 104 |
| range 15%<x<20% total (3) | 315.7 | 177.5 | 493.2 | 56.4 | 2.5 | 3.1 | 763 |
| range 20%<x<25% total (4) | 1,435.2 | 1,614.5 | 3,049.7 | (300.6) | 17.8 | (8.7) | 4,956 |
| range x>25% total (5) | 938.5 | 314.6 | 1,253.2 | 139.6 | 28.4 | 33.5 | 1,684 |
| **Total Europe** | **2,937.9** | **2,320.7** | **5,258.7** | **(192.0)** | **54.1** | **30.4** | **8,122** |
| (1) Includes: Portugal. | | | | | | | |
| (2) Includes: Bulgaria, Cyprus, Albania, Serbia. | | | | | | | |
| (3) Includes: Romania, Luxembourg, UK, Poland. Most of the income from this cluster comes from dividends that are subject to Participation Exemption. | | | | | | | |
| (4) Includes: Norway, Switzerland, Italy, Netherlands, Austria. No Deferred Tax Assets were identified for the majority of the losses for this cluster. | | | | | | | |
| (5) Includes: France. Tax losses from previous financial years were used to offset part of the taxable income. | | | | | | | |
| **Far East** | | | | | | | |
| range 15%<x<20% total (1) | 7.9 | 98.2 | 106.1 | 36.4 | 0.0 | 8.2 | 106 |
| range 20%<x<25% total (2) | 454.6 | 132.4 | 587.0 | 3.3 | 18.6 | 16.8 | 3,092 |
| range x>25% total (3) | 15.4 | 10.9 | 26.3 | 30.6 | 0.0 | 0.0 | 12 |
| **Total Far East** | **477.9** | **241.5** | **719.4** | **70.3** | **18.6** | **25.0** | **3,210** |
| (1) Includes: Thailand, Singapore. | | | | | | | |
| (2) Includes: Indonesia, Malaysia, India, China. The majority of the taxes for this cluster come from the Indonesian tax on revenues on construction activities with a fixed tax rate of 3% which, therefore, does not depend on the margin that is actually achieved. | | | | | | | |
| (3) Includes: Australia. The income for this cluster was completely offset by the tax losses in previous years. | | | | | | | |
| **Middle East** | | | | | | | |
| range x<10% total (1) | 35.5 | 93.8 | 129.3 | 0.2 | 0.0 | 0.0 | 1,213 |
| range 10%<x<15% total (2) | 661.6 | 0.0 | 661.6 | 11.6 | 0.1 | 0.1 | 1,469 |
| range 20%<x<25% total (3) | 1,533.5 | 139.9 | 1,673.4 | 13.2 | 1.8 | (10.5) | 7,654 |
| range x>25% total (4) | 24.4 | 0.0 | 24.4 | (14.1) | 3.7 | 1.7 | 116 |
| **Total Middle East** | **2,255.0** | **233.7** | **2,488.7** | **10.9** | **5.6** | **(8.7)** | **10,452** |
| (1) Includes: United Arab Emirates. | | | | | | | |
| (2) Includes: Oman, Kuwait, Qatar. The income for this cluster was completely offset by tax losses from previous years carried forward. | | | | | | | |
| (3) Includes: Saudi Arabia. Deferred Tax Assets on tax losses in previous financial years were greater than the current taxes on income. | | | | | | | |
| (4) Includes: Iraq. Irrespectively of the ordinary tax on income, activities in Iraq are taxed on the basis of the presumed profit. | | | | | | | |
| **North Africa** | | | | | | | |
| range 20%<x<25% total (1) | 652.0 | 319.4 | 971.4 | 16.3 | 0.0 | 0.7 | 1,374 |
| range x>25% total (2) | 2.3 | 0.0 | 2.3 | (0.0) | 0.2 | 0.2 | 26 |
| **Total North Africa** | **654.3** | **319.4** | **973.7** | **16.3** | **0.2** | **0.9** | **1,400** |
| (1) Includes: Egypt, Tunisia, Libya, Algeria. The income from this cluster was partially offset with tax losses from previous years and partially exempt. | | | | | | | |
| (2) Includes: Morocco. The drilling activities in Morocco are taxed on the basis of a presumed profit. | | | | | | | |
| **Sub-Saharan Africa** | | | | | | | |
| range x>25% total (1) | 661.3 | 68.2 | 729.4 | 33.0 | 42.2 | 43.4 | 4,952 |
| **Total Sub-Saharan Africa** | **661.3** | **68.2** | **729.4** | **33.0** | **42.2** | **43.4** | **4,952** |
| (1) Includes: Senegal, Congo, Nigeria, Mozambique, Angola, Ghana. The taxes for this cluster are mainly withholding taxes (Angola, Ghana) applied on revenues and are therefore independent to the actual margin achieved from the activities. | | | | | | | |
| **Total all areas** | **8,456.2** | **3,280.8** | **11,736.9** | **78.0** | **193.9** | **157.5** | **33,044** |

Therefore, in compliance with the Code of Ethics and Group Sustainability Policy, the Group has adopted a Tax Policy, which has been published on its institutional website since 2017, that is based on principles of honesty and integrity, compliance with national and international tax regulations, transparency in relations with the tax authority and the creation of sustainable value over time.
To guarantee the implementation of these principles, the Group:
- is committed to promptly applying the fiscal regulations of the countries in which it operates, and ensures compliance with the spirit and purpose that rules or systems set forth for specific tax issues;
- does not use, at either a domestic or cross-border level, artificial schemes or structures to obtain fiscal convenience and, unless justified by operating requirements, it does not establish or localise residence of its subsidiaries in States which do not adopt international standards with regards the exchange of information on fiscal matters.
- is committed to guaranteeing a consistency between the place in which value is produced and the place of taxation, by not transferring the value it creates towards low-tax jurisdictions;
- does not make investments in tax havens for the purpose of reducing its tax burden, as it only does so for business initiatives;
- for tax purposes, it manages intragroup relations in accordance with the "arm's length principle" as defined by the OCSE, with the aim of aligning as correctly as possible the transfer conditions and prices with the places in which the value is created by the Group.

For the purpose of ensuring an even better process for managing taxes, during the course of 2020 the Group developed, starting with Saipem SpA, and with the aim of progressively extending this to the most relevant foreign companies, its own "Tax Control Framework" (TCF), i.e. its own system for managing and controlling tax risks. This instrument will be added within the company's broader Internal Control and Risk Management system and is in line with the principles and aims contained in the Tax Policy, which represents a fundamental pillar thereof.
The development of the Tax Control Framework involved the development of the Risks and Controls matrices used to manage tax risks linked to each company process and to identify the overview and supervision mechanisms for mitigating these. An adaptation was made of procedures for company processes that could result in tax risks and the necessary series of documents were prepared for the functioning of the TCF. The Model also envisages the strengthening of the tax function through the appointment of a Tax Risk Manager dedicated to the performance of the monitoring activities on the operation and the correct functioning of the TCF.
The implementation of the Tax Control Framework will be finalised during the course of 2021, following its approval by the Board of Directors of Saipem SpA that is scheduled for the third quarter.
The Tax Policy is currently being reviewed, in order to reflect the updates relating to the implementation of the Internal Control System for the Tax Risk.
Finally, Saipem SpA reserves the right to adopt an enhanced cooperation system with the Revenue Agency when it is able to satisfy the conditions set forth by the applicable regulations.

## Relations with stakeholders

GRI 102-43
GRI 102-44

The Company strives to continuously involve all bearers of legitimate interests in Saipem's activities as a fundamental aspect of its sustainable business. Pursuing a constant dialogue and sharing objectives with all stakeholders are the means through which it is possible for the Company to create shared value. The approach developed by Saipem over time aims to ensure open and transparent relations with all stakeholders, promoting positive and mutually advantageous interactions, both in relations with global stakeholders and local stakeholders in the territories in which Saipem operates.
The principles and responsibilities at the basis of Saipem's stakeholder engagement process are defined in the "Stakeholder Engagement" Management System Guideline, which is a corporate governance tool applied to the entire Group, designed to uniquely define the Saipem Sustainability Model and the relations with the stakeholders in line with the cornerstones of the Group's Sustainability Policy.
This year the main claims emerging from the stakeholder engagement process are related to material topics. Among these, the priorities were: occupational health & safety, safety leadership and culture, business ethics, anti-corruption & bribery, environmental and social responsibility throughout the supply chain, guaranteeing human rights through the supply chain, artificial intelligence and digitalisation, advanced technologies & innovation, employee development, local community support & development, diversity & inclusive workplace, employee engagement and satisfaction, employee health & well-being, employee incentives & benefits, employee attraction, talent management & retention, energy efficiency, GHG emissions & reduction, transition to low-carbon business, climate change risks & management, air emissions & reduction (non GHG), use of alternative fuels, water management, recycling and reduce waste, transition to a circular economy.

In order to meet the stakeholders' expectations on these issues in terms of transparency and the definition of concrete commitments, Saipem provides detailed reporting in this statement and the 2020 Sustainability Report "Ready for the transition - Enabling a green future".
During the course of 2020, Saipem also continued the "Open Talks" programme, with events organised to further encourage a dialogue with its stakeholders in an open discussion format by planning the event in June "Mozambique: energy transition and new geopolitical balances" with a focus on a continent that will be decisive in these processes and on an emerging country in Africa's south-eastern region. The Talk saw the involvement of the Minister of Mineral Resources and Energy of the Republic of Mozambique, Ernesto Max Tonela, Carlos Zacarias, Chair of the National Institute of Oil, Giulia Pellegrini, Deputy Chief Investment Officer for Emerging Markets Fixed Income at Allianz Global Investors, Professor Paolo Magri, Executive Vice-president and Director of ISPI (Institute for International Political Studies), Alessandro Blasi, Senior Advisor to the Executive Director of the IEA (International Energy Agency). For Saipem, the CEO Stefano Cao, the Chairman Francesco Caio and the COO of the Onshore E&C Division Maurizio Coratella, were in attendance.

## APPROACH ADOPTED FOR STAKEHOLDER ENGAGEMENT

| Financial stakeholders | Clients | Employees | Authorities and local governments |
|---|---|---|---|
| Continuous dialogue with the financial community.<br><br>Commitment to ensuring full transparency and fair access to confidential information.<br><br>Periodic publication of information through press releases and presentations.<br><br>Periodic meetings with institutional investors and financial analysts.<br><br>Individual shareholders can liaise directly with the Company Secretariat. | Constant reporting and frequent meetings on operational projects.<br><br>Inclusion of aspects relating to business sustainability in meetings organised with clients and potential clients.<br><br>Discussions with clients to understand their requirements and expectations from the perspective of solution providers and with a focus on energy transition, including through defining partnerships and collaborations.<br><br>Involvement in HSE initiatives, including the environmental awareness campaigns and LiHS (Leadership in Health and Safety) programmes. | Commitment to recruiting and retaining talented personnel, fostering their development, motivation and competence.<br><br>Commitment to guaranteeing safe and healthy working environments and stable relations with trade unions in order to establish open and cooperative dialogue.<br><br>Commitment to guaranteeing equal treatment and inclusion | Saipem does not need to establish institutional relations to promote its interests. Nevertheless, Saipem encourages dialogue with institutions , governments, local authorities and with organised associations of civil society in all the countries where it operates.<br><br>Institutional and official relations with the authorities, as well as cooperation with public bodies to launch initiatives aiming to create local value. |
| > Organisation of 7 road show days and participation in 5 international investor conferences.<br>> Engagement activities with 19 financial stakeholders on ESG topics.<br>> Over 900 people took part in four conference calls and webcasts on the quarterly financial results.<br>> 25 financial stakeholders involved in the Saipem materiality analysis. | > Involvement of clients through a customer satisfaction monitoring system (53 clients involved through customer satisfaction questionnaires).<br>> Partnerships and agreements signed with clients for the joint development of technological innovations, including for use in new renewable energies markets and the sustainable use of resources (more information in the section "Partnerships for sustainable developments").<br>> Clients involved in events on HSE topics through the LiHS campaigns (e.g. Safe Driving Campaign).<br>> 42 clients involved in the Saipem materiality analysis.<br>> Engagement initiatives and dialogue on different business sustainability topics (e.g. Saipem Open Talks). | > Employee engagement initiatives, including the 4 Deep In Saipem workshops, aiming to improve knowledge of operational projects, disseminate the use of best practices and a culture of innovation.<br>> Training and talent retention initiatives, including Reverse Mentoring (contamination of digital, technical and managerial skills and behaviour among junior and senior resources).<br>> Employees involved in events on HSE issues (e.g. LiHS, road safety, health and rules of conduct, environmental campaigns).<br>> More than 5,000 employees involved in the survey on the company's reputational profile.<br>> Approximately 2,800 employees and senior managers involved in the Saipem materiality analysis. | > Institutional relations and pro-active cooperation to jointly implement local development programmes.<br>> Contribution to consultation processes at an institutional level that took place in 2020 (more details in the section "Relations with institutions and trade associations").<br>> Cooperation with health ministries, hospitals or local medical centres for projects to raise awareness on health issues, conducting vaccination and health campaigns, supporting healthcare facilities (more information can be found in the Sustainability Report 2020 in the chapter "Generating Shared Value").<br>> 2 representatives of local authorities involved in the Saipem materiality analysis.<br>> In 2020, Saipem did not provide direct or indirect contributions, in any form, to political parties, movements, political and trade union committees or organisations, their representatives and candidates, with the exception of those provided by specific laws or by the applicable national bargaining agreements. |

| **Local communities** | **Local organisations and NGOs** | **Vendors** | **Insurers** | **Trade associations and International organisations** |
|---|---|---|---|---|
| Contribution to the progress of the local communities, to the social, economic and cultural development and improvement of their living conditions. Every operational company or project adopts a targeted approach considering the role of the Company and the specific context.<br><br>Open and transparent dialogue with the communities living in the territories where the Company operates.<br><br>Active involvement of local communities in the implementation of local development projects.<br><br>Proactive support in situations of crisis and emergency. | Regular publication of information, objectives and results through the Saipem institutional channels.<br><br>Identification of organisations with proven experience and integrity for short- and medium-term relations facilitating the implementation of specific value creation and local development projects. | Commitment to developing and maintaining long-term relations with vendors. Through the vendor management process it is possible to assess their technical, financial, organisational and ethical reliability.<br><br>Pro-active commitment to HSE initiatives, like environmental awareness campaigns or safety programmes. | Commitment to developing and maintaining long-term relations with insurers. The risk transfer process identifies the insurance capacities for appropriately covering our risk profile and exposures.<br><br>Communication of security and loss prevention initiatives and their results in order to ensure competitive terms and conditions. | Active participation and support to numerous local and international associations, contributing to the sharing of "best practices" in Saipem's areas of activity.<br><br>Strengthening of Saipem's role in its sector and its relations with other stakeholders. |
| > 20 development initiatives for local communities in 12 countries (Angola, Saudi Arabia, Azerbaijan, Bolivia, Equatorial Guinea, Guyana, Kazakhstan, India, Indonesia, Italy, Mozambique, Senegal), which reached a total of more than 64,000 beneficiaries. €1.6 million invested in these initiatives.<br>> Cooperation in many countries with local schools and universities to encourage the development of human capital (e.g. training paths, internships, research projects, lessons in universities), provision of scholarships and training courses (more information is provided in the Sustainability Report 2020 in the chapter "Generating Shared Value").<br>> Raising awareness of HSE topics through workshops and conferences with the involvement of local communities.<br>> 5 representatives of local universities, institutions and associations involved in the Saipem materiality analysis.<br>> Engagement initiatives and dialogue on different business sustainability topics (e.g. Saipem Open Talks).<br>> Partnerships and agreements with research centres and universities for sharing knowledge and the joint development of technological innovations. | > Community initiatives developed through partnerships and cooperation with non-governmental organisations (e.g. Eurasia Foundation of Central Asia-EFCA in Kazakhstan for an educational programme; AVSI for a health initiative in Congo); Good World Shelter in Azerbaijan for an environmental initiative. | > Desktop, on-site audits and analyses on social responsibility and respect of human rights for vendors (10 vendors involved in Nigeria with a questionnaire to assess respect of ILO principles on labour rights).<br>> Subcontractors involved in initiatives on HSE issues (e.g. programmes carried out in Saudi Arabia, Kuwait, Mozambique).<br>> 51 vendors and business partners involved in the Saipem materiality analysis.<br>> Engagement and dialogue initiatives on various issues relating to business sustainability (more information available in the section "Sharing value along our supply chain" of the Sustainability Report 2020). | > Engagement initiatives and dialogue on different business sustainability topics.<br>> 7 insurance companies and brokers involved in the Saipem materiality analysis.<br>> Organisation of the annual insurance road show in London. On this occasion, Saipem's risk profile and the aspects of its business sustainability were presented. | > Active member of 98 local and international business and trade associations.<br>> In particular, the parent is a member of 45 associations and organisations, including: ANIMP (Italian Association of industrial plants), Assorisorse, IADC (International Association of Drilling Contractors), IMCA (International Maritime Contractors Association), UN Global Compact, WEF (World Economic Forum), WEC (World Energy Council), Confindustria, Renewable UK, Windeurope, BNOW (Business Network for Offshore Wind).<br>> Over €1 million spent in association memberships.<br>> 6 representatives of business associations involved in the Saipem materiality analysis. |

## Relations with clients

Clients are one of Saipem's fundamental stakeholders, and guaranteeing their satisfaction is important both in terms of the profitability of projects and the effectiveness, efficiency and sustainability of the processes adopted for their implementation. Customer satisfaction monitoring and analysis systems are implemented in each division, to improve Saipem's operational management and performance in meeting the needs of clients and maintaining closer relations with them.
A direct assessment is regularly carried out involving clients through specific meetings and by collecting information through satisfaction questionnaires. Moreover, an indirect assessment is also carried out without the explicit involvement of clients, through the regular monitoring and analysis of specific indicators that can measure satisfaction. All results deriving from the customer satisfaction system are regularly examined by the company's management in order to identify critical areas and any preventive or improvement measures. In 2020, 53 operating projects were involved in a direct assessment, with a response rate of 68%. 97% of interviewees expressed satisfaction for Saipem's conduct (i.e.: they assigned an overall score greater than or equal to 7 on a scale of 0 to 10), while 58% of interviewees (compared to 50% in 2019) stated that they were completely satisfied with the company's activities (i.e. they assigned an overall score of 9 or higher on a scale of 0 to 10).
At the start of the year the Customer Relationship Management system was put into place, which centralises on a collaborative digital platform workflows, data and insights on commercial initiatives, clients and markets. In 2021, the solution, which already sees the active involvement of 400 colleagues, will be developed further to enable synergies between the Divisions and the Corporate functions involved in responding to the expectations of client stakeholders. Additional elements of improvement in relations will emerge thanks to ad hoc interaction opportunities organised with the highest management levels for clients and the aggregate results of Saipem reputation perception interviews conducted by an external consulting firm with client decision-makers.

## Relations with the financial community

Non-financial information is increasingly analysed by investors and the financial market, who look more analytically at the ability of a company to develop sustainable business strategies and plans over time, with measurable objectives and concrete actions that demonstrate the company's ability to manage risks and exploit the opportunities of changing markets and scenarios.
Saipem also makes available non-financial performance data and information to its investors and financial analysts to respond to this growing interest. Furthermore, Saipem fosters continuous dialogue with financial interlocutors, also through periodic road shows and specific meetings, always guaranteeing transparency and fair access to information.
During 2020, 13 events were carried out with the financial community, including 7 roadshows, 5 international investor conferences and there were about 200 contacts with analysts and portfolio managers, as well as an analyst day in the month of March. This year, Saipem interacted on sustainability topics with 19 financial stakeholders interested specifically in ESG (Environment, Social, Governance) topics. Saipem is also included in key sustainability indices, particularly the Dow Jones Sustainability World and Europe Indices, and is the leader in its reference sector; it has also held a leadership position in the FTSE4Good index for the past ten years and has a leading position in the Euronext Vigeo Eiris indices and in the STOXX® Global ESG Leaders index.

## Relations with institutions and trade associations

By implementing works and plants in different business sectors with the necessary authorisations from its clients, Saipem does not need to establish institutional relations to promote its interests. Saipem encourages dialogue with institutions and with organised associations of civil society in all the countries where it operates.
The Company manages its local, national and international stakeholder relations in line with the provisions of its Code of Ethics and its Business Integrity Guidelines and Policies, which require the adoption of behaviour based on correctness, transparency and traceability. These relations are exclusively handled by the relevant Company functions and positions identified, in compliance with approved plans and internal regulatory documents.
Saipem does not make direct or indirect contributions in whatever form to parties, movements, committees, political organisations and unions, to their representatives and/or candidates, unless required by local law.
The Corporate Institutional Relations Department is responsible for institutional dialogue, guaranteeing uniform and coherent relational strategies and communication to external parties. The Company can contribute to institutional consultations.

Saipem is also active in the round table dedicated to the topic "Smart Mobility and Artificial Intelligence" initiated by Lombardy Region (Italy) and participated in the 11th Italy-Latin America Conference organised by the Ministry of Foreign Affairs and International Cooperation.
By way of example, in Italy Saipem participated in a hearing with a parliamentary committee during the course of an enquiry into the prospects of implementation and adaptation of the National Energy Strategy to the National Plan for Energy and Climate for 2030, and was part of the Gas Industry's Advisory Committee, for which the Italian contingent was chaired by the Ministry of the Exterior, and is active in the consultation process for the definition of the Italian Hydrogen Strategy launched by the Ministry of Economic Development.
Saipem Is also involved in the Energy roundtable chaired by the Ministry of the Exterior and the Ministry of Economic Development, as well as the roundtable on the theme "Smart Mobility and Artificial Intelligence" launched by the Lombardy Region (Italy), and attends various webinars organised by the Italian embassies throughout the world, with interventions as speakers by its managers, and will have its own installation in the Italy Pavilion at the forthcoming Universal Exposition that will be held in the United Arab Emirates in 2021 - Expo Dubai.
By virtue of the Group's solid international vocation, with a presence in over 70 countries, Saipem cooperates with the Italian diplomatic network and the embassies in Italy of the countries where it operates. This cooperation, along with the presence in industrial and trade associations, guarantees the consolidation and communication of Saipem's long-term commitments and the value it generates in the territories it operates in.
At territorial level, Saipem guarantees dialogue and interaction with local representatives and civil society in the host communities, as this is deemed fundamental for ensuring relations based on criteria of transparency and correctness, founded on a lasting, shared value creation strategy. In this context, Saipem supports local initiatives in communities, mainly in projects focusing on education, health and culture. For this purpose, stringent due diligence processes are applied to check the effective beneficiaries of its initiatives.
Saipem is a member of numerous trade and employer associations, which – among other roles – represent their members before institutional interlocutors on business aspects. The association activities provide services to the Company, in terms of information and the analysis of developments in the laws and regulations of the referred country or sector, also guaranteeing opportunities for trade promotion and discussion with other companies.
Saipem is also a member of several energy transition associations and networks, including the Global Carbon Capture & Storage Institute (GCCSI), and the associations $CO_2$ Value Europe, IHS and Hydrogen Europe and the European public initiative Clean Hydrogen Alliance.

## Cooperation with international organisations and associations on the topic of climate change

As a key player in the energy sector, Saipem is an active member of specific trade associations in the countries in which it has a well-structured presence, taking part in events and discussions on environmental and climatic issues.
Saipem is a member of EVOLEN (the French association of energy sector companies and professionals), which aims to disseminate technical and scientific knowledge among its members to anticipate changes in the business, fostering cooperation and a long-term vision and supporting innovation and partnerships.
This allows Saipem to be involved in a dynamic network, promoting its own technological excellences and sharing information and experience on different topics, including sustainability, energy efficiency and climate issues.
Recently Saipem became a member of Renewable UK, the main renewable energy trade association in the United Kingdom, specialised in onshore and offshore wind, wave and tidal energy.
Furthermore, Saipem takes part in the Norwegian Solar Energy Cluster, which aims to foster cooperation and support the development of solar energy skills.
Saipem also takes part in the DeRisk-CO project, run in Italy by the Eni Enrico Mattei Foundation (FEEM), a scientific research and dissemination project aiming to raise awareness of the risks and opportunities associated to climate change, which has the objective of studying instruments to analyse scenarios and promote communication among Italian businesses on this strategic topic. Through its international network, FEEM integrates its research and dissemination activities with those of top academic institutions and think-tanks worldwide. As part of this cooperation, in particular Saipem has supported the organisation of a seminar focusing on the analysis of the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) of the Financial Stability Board, with particular reference to the identification of risks and opportunities and scenario analyses.
In this context, in 2020 Saipem decided to become a Supporter of the Task Force on Climate-related Financial Disclosure (TCFD) and its recommendations.

# CORPORATE GOVERNANCE

## The Governance Model

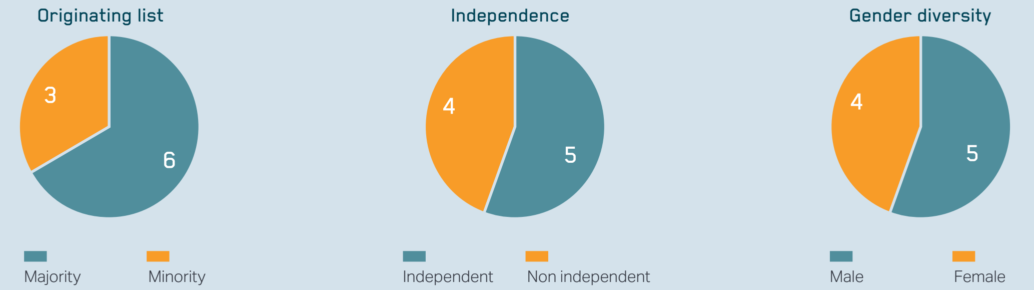
Saipem adopts a system of Corporate Governance that is based on the general and special regulations applicable to the Articles of Association, the Code of Ethics, the recommendations contained in the new Corporate Governance Code promoted by the Italian Stock Exchange and the trade associations – which came into force on January 1, 2021 – and the best practices on the subject.
Saipem's system of Corporate Governance is based on the central role of the Board of Directors, on transparency and the effectiveness of the internal audit system. It should be noted that the Sustainability, Scenarios and Governance Committee is responsible for examining the "non-financial disclosure" laid down in Legislative Decree No. 254 dated December 30, 2016, and issuing a prior opinion to the Board of Directors, which is required to approve this document. For a more detailed description of the governance of the aspects required by Italian Legislative Decree No. 254/2016, refer to the "Corporate Governance and Shareholding Structure Report", in particular the paragraph "Sustainability Model" and the sections regarding the Board of Directors, internal committees and risk management. The above-mentioned document is present in the "Governance" section of the Company's website.

## Governance of business sustainability

GRI 102-18
GRI 405-1

The Board of Directors comprising nine directors, of which four are female, was appointed by the Shareholders' Meeting on May 3, 2018 for three financial years and will expire on the date of the Meeting called for the approval of the financial statements for the year ending December 31, 2020. The appointment of Directors occurs pursuant to Article 19 of Articles of Association, through voting from a list, so as to allow the appointment of minority interest representatives and to ensure gender balance. All the directors are aged over 50. The curriculum with the personal and professional characteristics of the directors is available on the website www.saipem.com in the "Governance" section.
The responsibilities of the Board of Directors include the definition, at the request of the Chief Executive Officer-CEO, of the strategic lines and objectives of the Company and the Group, including their sustainability policies.

COMPOSITION OF THE BOARD OF DIRECTORS




With regard to training and information to the members of the Board of Directors, during the course of its mandate the Board was constantly involved in initiatives and presentations for increasing its knowledge of the operating activities of the Company, scenarios and analyses pertaining to energy transition, risks connected with climate change and the protection of human rights and governance-compliance. For example, the Board was recently involved in a study on "Energy scenarios and strategic implications for the industry" prepared by an internationally renowned company, which also looked at the different climate change scenarios and the respective implications and opportunities for the company in the management of the energy transition as reflected in the company strategy.
Further details on the composition, appointment, responsibilities, activities and training of the Board of Directors can be found in the relevant section of the "Corporate Governance and Shareholding Structure Report 2020".

To perform its tasks more effectively, the Board has appointed its own internal Compensation and Nomination Committee (made up entirely of non-executive and independent directors); the Audit and Risk Committee (made up entirely of mostly independent non-executive directors) and the Sustainability, Scenarios and Governance Committee, made up of four non-executive directors – including two independent directors – and chaired by the Chairman of Saipem. The Committee is tasked with assisting the Board of Directors, with advisory, preparatory and consultative functions, for its evaluations and decisions relative to issues of sustainability connected to the performance of the Company's activities, to the dynamics of interactions with all the stakeholders, to the Company's social responsibility, to the review of scenarios for the preparation of the strategic plan, and to the Company's and Group's corporate governance. The Sustainability, Scenarios and Governance Committee and the Chief Executive Officer-CEO promote sustainability issues within the Board of Directors, which during the year discussed key topics in this sense, including disclosure on Saipem's approach to "Climate Change", its implications on the business strategies and the initiatives taken by the Company in this area, aside from an analysis of the situation linked to the positioning of the Company with regard to various sustainability ratings.

In 2007, Saipem established a management Sustainability Committee, composed of the top corporate management and heads of divisions, chaired by the Chief Executive Officer-CEO. The Sustainability Committee has the task of drafting sustainability policy guidelines and strategies for subsequent review by the Board's Sustainability, Scenarios and Governance Committee, and also provides indications and directives for the sustainability planning and reporting process.
Given the transversal nature of this topic, the sustainability objectives are defined, and must be disseminated within the Company, consistently with the various operational contexts and the requests emerging from stakeholder consultations and other contextual evidence. The Board of Directors approves the management performance plan, at the proposal of the Compensation and Nomination Committee, through which the Company's objectives are assigned to the Chief Executive Officer-CEO. The plan is drafted on the basis of the company's strategic plan and, for the part concerning objectives on ESG issues, considers the areas that were deemed to be of highest priority by the company's stakeholders. The objectives are then reported within a cascade process to the Company management and described in the short-term variable incentive plan. In the 2020 Plan, an increase in the percentage weight was envisaged for the objectives on sustainability issues in the context of short term variable incentives. For the 2021 Plan, which is described in detail in the "Report on the Remuneration Policy and Paid Compensation 2021", following on from the previous year, a growing attention will be confirmed for objectives relating to ESG issues. Specifically, a reduction in greenhouse gas emissions, safety performances, gender diversity and innovation are some of the main issues the 2021 objectives for the Board of Directors and CEO are focused on.
The active and regular involvement of stakeholders in the determination of priorities (including, for example, through materiality analyses) and the creation of an advanced monitoring system to monitor and report on company ESG performances also confirm that ESG/Sustainability factors represent a commitment the Company adopts towards stakeholders with a view to creating shared value in the long term. In terms of the Company's position to be an energy transition leader, the objective to reduce scope 1 & 2 GHG emissions by 50% by 2035 (the reference value is calculated compared to 2018), and net-zero scope 2 by 2025 is paramount.

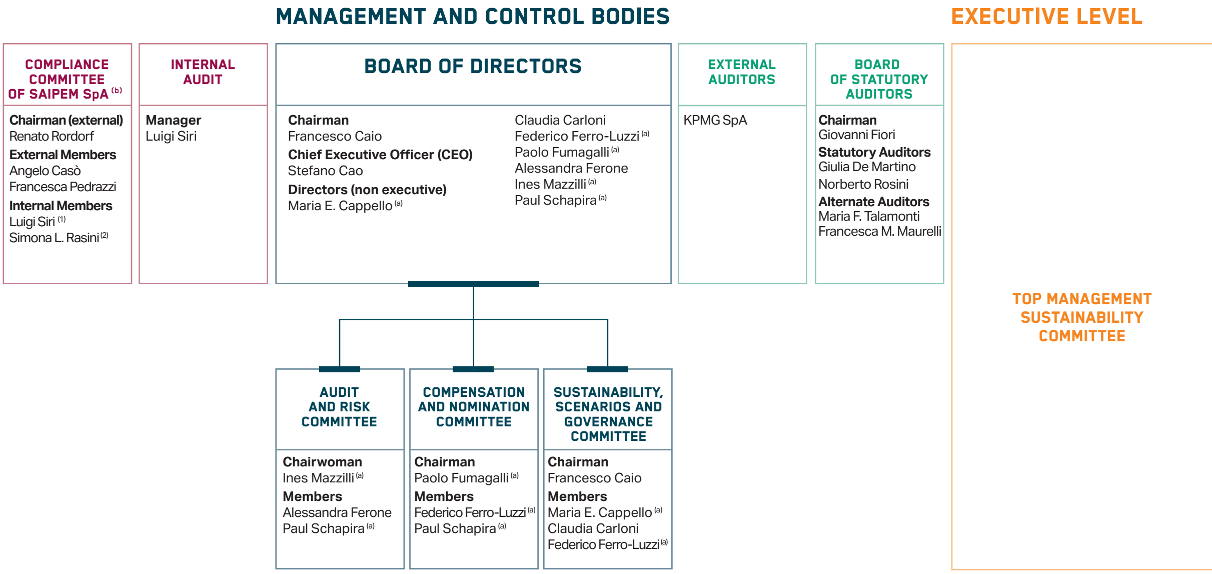
#### THE MAIN SUSTAINABILITY TOPICS FACED BY THE BOARD OF DIRECTORS IN 2020

- Consolidated Non-Financial Statement 2019 (includes the materiality analysis)
- Report on Remuneration and definition of objectives for the next year, which include business sustainability objectives
- HSE performance and achievement of objectives, included in the respective Plan
- Modern Slavery Statement 2019 in accordance with the UK "Modern Slavery Act"
- Document "2019 Sustainability Report - Making Change Possible - 4 Challenges for the Energy Transition"
- Document "Leading the path to energy transition" drafted in accordance with the recommendations of the Task Force on Climate Related Financial Disclosure (TCFD)

## The Organisation, Management and Control Model of Saipem SpA

### "Model 231" (including the Code of Ethics)

At its meeting on March 22, 2004, the Board of Directors of Saipem SpA resolved the adoption of an organisation, management and control model pursuant to Italian Legislative Decree No. 231/2001 (hereinafter, "Model 231"), aimed at preventing the commission of offences specified by Legislative Decree No. 231/2001. Later, through specific projects, Model 231 was updated to reflect changes in the legislation and in the corporate organisation of Saipem SpA.
In particular, the subsequent updates of Model 231 have taken into account the following:
- changes in the corporate organisation of Saipem SpA;
- changes in case law and jurisprudence;
- the considerations arising from the implementation of Model 231, including case law indications;
- practices of Italian and foreign companies with regard to the models;
- the results of supervision activities and the findings of internal audit activities;
- the evolution of the legislative framework and the Guidelines by Confindustria.




*(a) Independent.*
*(b) The Compliance Committee of Saipem SpA is composed of five members: three external members, one of whom is appointed Chairman of the Committee, and two internal members responsible for the Internal Audit (1) and Business Integrity (2) functions.*

Most recently, in December 2020, Model 231 was updated based on:
- regulatory updates;
- organisational changes that have taken place;
- jurisprudence and most recent case law;
- best practices.

At the end of these updates, on December 21, 2020, the CEO of Saipem SpA approved the new Saipem SpA "Model 231 (including the Code of Ethics)".
After the various timely updates made over the years, Model 231 of Saipem SpA has also been updated, inter alia, in accordance with the following regulations:
- Italian Legislative Decree No. 24 of March 4, 2014 intervened in the context of the trafficking of human beings and the protection of victims amending Article 600 of the Italian Penal Code (reduction or maintenance in slavery or servitude) and Article 601 Italian Criminal Code (trafficking of persons);
- Italian Legislative Decree No. 39 of March 4, 2014, which introduced the crime of "Grooming minors" into the crimes set out in Italian Legislative Decree No. 231/2001;
- Law No. 68 of May 22, 2015, "Provisions related to crimes against the environment" (so-called "Ecoreati", "Eco-crimes Act"), which introduces new cases of environmental crime;
- Italian Law No. 167 of November 20, 2017, "Provisions for fulfilling the obligations arising from Italy being part of the European Union - European Law 2017". The provision aims to bring domestic regulations in line with EU regulations, also intervening on the liability of legal entities. In regulating the fight "against some forms and expressions of xenophobic racism by means of criminal law", the new Article 25-*terdecies* "Racism and xenophobia" provides for this as a crime within Italian Legislative Decree No. 231/2001;
- Law No. 179 of November 30, 2017 on "Provisions for the protection of those reporting crimes or irregularities that they may have become aware of in the context of their public or private employment";
- Italian Legislative Decree No. 107 of August 10, 2018, "Rules on the adaptation of national law to the provisions of Regulation (EU) No. 596/2014, relating to market abuses, repealing Directive 2003/6/EC and Directives 2003/124/EU, 2003/125/EC and 2004/72/EC";
- Italian Law No. 3 of January 9, 2019, "Measures to combat crimes against the public administration, and relating to statute of limitations for those crimes and the transparency of political parties and movements".
- Italian conversion Law No. 157 of December 24, 2019 of Decree-law No. 124/2019 containing "Urgent provisions on tax and requirements that cannot be postponed;
- Italian conversion Law No. 133 of November 18, 2019 of Decree-law No. 105 of September 21, 2019, "Urgent provisions on the national cyber security perimeter";
- Italian Legislative Decree No. 75/2020 containing "Implementation of directive (EU) 2017/1371, relating to the fight against fraud harming the financial interests of the Union through criminal law" which implemented the so-called "PIF Directive".

# COMMITMENTS, RESULTS AND OBJECTIVES

**SAIPEM MATERIAL TOPIC**

CLIMATE CHANGE RISKS & MANAGEMENT
ENERGY EFFICIENCY
GHG EMISSIONS & REDUCTION
TRANSITION TO LOW-CARBON BUSINESS
AIR EMISSIONS & REDUCTION (NON GHG)

**COMMITMENT**

> Gradually reducing our dependence on fossil fuels, concentrating on fields that have a lesser impact on the climate, investing in renewable technologies and developing more sustainable uses of fossil fuels, as well as diversifying activities.
> Optimising energy consumption, using the best available technologies and increasing operational efficiency.

**2020 RESULTS**

> Developed a specific Emission Methodology to forecast GHG emissions of a plant designed by Saipem during its operating phase (Scope 3 emissions for Saipem), that will soon be certified and validated by a Third Party.
> Reached a reduction in emissions of 26.68 kt of $CO_2$ eq.
> Extended until 2024 the GHG Strategic Plan for a total cumulative reduction of 255 kt of $CO_2$ for the period 2019-2024.
> Avoided emissions into the atmosphere of 319.9 t of $NO_X$.
> Avoided emissions into the atmosphere of 15.4 t of $SO_2$.
> Avoided emissions into the atmosphere of 50.3 t of CO.
> Avoided emissions into the atmosphere of 17.1 t of NMVOC.
> Avoided emissions into the atmosphere of 10.2 t of $PM_{10}$.
> Carried out 15 energy diagnoses and feasibility studies.
> Completed 18 energy efficiency initiatives.
> Completed 6 energy saving initiatives.
> Completed 2 initiatives for the use of renewable energy.
> Completed 3 monitoring activities of energy consumption.

**RESULTS 2020 VS. OBJECTIVES 2020**

■ Implemented specific GHG management initiatives (24, with specific objectives for each Division).
■ Reduced $CO_2$ emissions (annual target of 19.3 kt of $CO_2$ eq, with specific objectives for each Division).
■ Review of the GHG Strategic Plan by end of 2020.
■ Performed specific energy diagnoses/feasibility studies (18, with specific objectives for each Division)*.
■ Increased the number of specific initiatives with the aim of reducing energy consumption/increase energy efficiency.
■ Where applicable, identified the potential production/use of renewable energy in projects and sites.

**2021 OBJECTIVES**

> Group Target for scope 1 and 2 GHG emissions, detailed under the section "GHG reduction strategies for Saipem's assets and operations to achieve Net-Zero": 50% reduction in 2035 compared to the 2018 emissions baseline.
> Achieve 2020-2024 strategic plan objectives for 2021 (specific for each Division) in terms of savings on emissions (36,500 t of $CO_2$ eq), with this figure not currently based on Science Based Targets.
> Define carbon neutrality Strategy (Net-Zero) for the Divisions and the Group.
> Define the implementation Plan for carbon neutrality (Net-Zero) for the Divisions and the Group.
> Third party validation of the documentation produced (strategies and implementation plans) for carbon neutrality (Net-Zero).
> Assess all assets connected to the electricity grid to explore the possibility of obtaining 100% electricity certificated from renewable sources.
> Define a set of asset specific KPI (vessels, rings, Temporary Construction Facility (TCF), yards and offices) for the assessment of GHG reduction initiatives and the implementation of the associated reporting.

*(*) The objective is deemed to have been reached following the review of Group objectives relating to the COVID-19 emergency which set 11 energy diagnoses/feasibility studies.*

## SAIPEM MATERIAL TOPIC
WATER MANAGEMENT

### COMMITMENT
- The correct and conscious management of water resources is an integral part of the whole environmental strategy.
- The approach is focused on maximising the reuse of water where possible and reducing to a minimum water consumption in all our operating sites and projects, especially when these are located in areas characterised by a particular scarcity of water.

### 2020 RESULTS
- Offshore E&C: Yard Energy and Water Efficiency Management Plans ("YEWEMP") mapping of sites and projects operating in water stress areas.
- YEWEMP in the fabrication yards: Ambriz (Angola), Arbatax (Italia), Karimun (Indonesia) and SCNL (Nigeria).
- Onshore E&C: feasibility studies completed for the Marjan pack 10 project and the Berri project (both of which are in Saudi Arabia) with measures for saving water and calculating savings.

### 2021 OBJECTIVES
- Each Division will conduct in a pilot site an analysis of the use and consumption of water in order to identify criticalities and propose actions to reduce consumption of water and increase the share of reused water.
- Offshore E&C YEWEMP will continue in 2021 to develop and implement the plan on the remaining offshore yards/fabrication yards.
- Onshore E&C: in the Marjan pack 10 and Berri projects (both of which are in Saudi Arabia) implement the reduction measures envisaged by the feasibility studies.
- New Headquarters in Italy (Milan): significant reduction in drinking water consumption thanks to the efficiency of the equipment selected, the reuse of rainwater, the use of high-efficiency irrigation systems combined with the plant species chosen that require less water.

## SAIPEM MATERIAL TOPIC
RECYCLING AND REDUCE WASTE

### COMMITMENT
- Managing waste responsibly through a hierarchy of interventions that aim to give the utmost priority to the reduction and reuse of waste to the greatest extent possible.

### 2020 RESULTS
- Presentation of the "Plastic Free" Campaign in the new Saipem offices in Milan Rogoredo.
- Offshore E&C Fleet: replacement in the catering services of all single-use plastic in part with material that can be reused and in part with single-use material that is less dangerous, such as paper, cardboard or wood.
- Offshore E&C vessel FDS 2: it was supplied with an on-board drinking water treatment plant with a respective distribution system, for a resulting reduction in the use of plastic bottles. This solution will soon be installed on other vessels of the Saipem fleet like FDS and Castorone.

### 2021 OBJECTIVES
- Define a programme for the reduction in the use of single-use plastic.
- Implement specific communication activities on the reduction of waste during the European Waste Week.
- Each Division will identify a pilot site for the development of a roadmap for the reduction of waste, with a focus on the elimination of single-use plastic.

## SAIPEM MATERIAL TOPIC
USE OF ALTERNATIVE FUELS

### COMMITMENT
- Exploring the use of sustainable fuels obtained from renewable and alternative raw materials to replace fuels deriving from oil.

### 2021 OBJECTIVES
- Assess the possibility of using SAF (Sustainable Aviation Fuel) for a share of flights purchased before the end of 2021.

## SAIPEM MATERIAL TOPIC

SPILL PREVENTION AND RECOVERY

### COMMITMENT

- Reducing and mitigating the environmental risk associated to oil and chemical spills, guaranteeing the adoption of appropriate prevention and recovery measure.

### 2020 RESULTS

Coverage reached:

- O&CM (Oil & Chemical Mapping) for 38 sites/logistics bases and 25 Offshore E&C and Drilling vessels.
- SRA (Spill Risk Assessment) implemented for 20 sites/logistics bases and Offshore E&C and Drilling vessels.
- 547 spill response exercises were carried out.

### RESULTS 2020 VS. OBJECTIVES 2020

- 100% coverage of sites/projects with specific accidental pollution emergency plans.
- Increased the number of spill drills, including scenarios relating to spills into water bodies.

O&CM target:

- 100% of offshore vessels (operational);
- 100% of offshore sites (operational);
- 40% of offshore drilling vessels (carried out before 2020);
- 100% of onshore sites for yards/logistics bases;
- at least 1 onshore project (postponed because of COVID).

SRA target:

- 100% of offshore vessels operational in 2020;
- at least 2 offshore sites;
- at least 1 onshore sites/logistics base.

### 2021 OBJECTIVES

- 100% coverage of sites/projects with specific accidental pollution emergency plans.
- Increase the number of spill drills, including scenarios relating to spills into water bodies.
- O&CM target: 100% coverage of offshore vessels operational in 2021 and operational yards in 2021, 100% coverage of onshore logistics bases and yards and at least one onshore project 40% of offshore drilling vessels and at least one onshore drilling platform.
- SRA target: 100% of offshore vessels operational in 2021; at least 1 operational offshore site; at least 1 onshore site. At least one offshore and one onshore drilling platform.

## SAIPEM MATERIAL TOPIC

OCCUPATIONAL HEALTH AND SAFETY
SAFETY LEADERSHIP AND CULTURE

### COMMITMENT

- Confirming the renewal of the Group's ISO 45001 and ISO 14001 certifications.
- Improving the TRIFR-target objective for 2020: 0.44.
- Pursuing continuous improvement by promoting and developing a safety culture (with a particular focus on road accidents and commuting accidents) and improving the HSE audit planning system.

### 2020 RESULTS

- Renewed the Group's certification based on ISO 14001 and ISO 45001 Standards.
- TRIFR improved by reaching 0.36.
- 1.3 million hours of HSE training delivered, 39% of which to employees and 61% to subcontractors.

### RESULTS 2020 VS. OBJECTIVES 2020

- Renewed ISO 114001 and 45001 Group certificates.
- The TRIFR for the year as a whole was 0.36, which was much lower than the target of 0.44.

### 2021 OBJECTIVES

- Confirm the renewal of the Group's ISO 14001 and ISO 45001 certifications.
- Ensure the safety of personnel by continued monitoring of the injury frequency rate (TRIFR) and the introduction of an additional metric, the HLFR (High Level Frequency Rate), with a view to measuring all near misses that might have caused serious injuries and understanding better the most critical areas, so that suitable programmes can be implemented to constrain the underlying causes.

## SAIPEM MATERIAL TOPIC
LOCAL COMMUNITY SUPPORT & DEVELOPMENT

### COMMITMENT
- Working responsibly and cooperating with our stakeholders to create shared value, while constantly minimising the potential negative impacts our operations and presence could produce.

### 2020 RESULTS
- 20 initiatives implemented for local communities, targeting over 64,000 beneficiaries in 12 countries. €1.6 million invested.
- The economic value generated directly by Saipem is €6.7 billion.

### RESULTS 2020 VS. OBJECTIVES 2020
■ Continued to contribute to socio-economic development, including through the use of local staff, training and transfer of know-how and by cooperating with local vendors and subcontractors.
■ Continued to contribute to the fight against the COVID-19 pandemic to support local communities in some of the countries affected.
■ Continued to plan initiatives to contribute to the SDGs.

### 2021 OBJECTIVES
- Continue to plan initiatives to contribute to the SDGs.
- Continue to contribute to the fight against the COVID-19 pandemic to support local communities in some of the countries affected.
- Continue to contribute to socio-economic development, also through hiring local staff, with training and transfer of know-how and by working with local vendors and subcontractors.

## SAIPEM MATERIAL TOPIC
GUARANTEEING HUMAN RIGHTS THROUGH THE SUPPLY CHAIN
ENVIRONMENTAL AND SOCIAL RESPONSIBILITY THROUGHOUT THE SUPPLY CHAIN

### COMMITMENT
- Respecting international best practices on the subject of human and labour rights and monitoring compliance.
- Cooperating with our vendors to contribute to the development of their own business sustainability and to reduce/minimise sustainability risks within our supply chain.

### 2020 RESULTS
- Continued with the social responsibility campaign in the supply chain: 504 vendors assessed during the qualification phase and 1 audit on site conducted.
- Check on 44 vendors on the subject of Human Rights during the performance of the contract.
- Carried out of a desktop audit on 10 subcontractors in Nigeria.
- Tool to estimate Saipem's carbon footprint along the supply chain applied in a test phase with 6 important vendors.
- Assessment of the technical expertise of 143 potential employment agencies. 4 Assessments (2 conducted remotely and 2 on site) carried out with agencies in Saudi Arabia, United Arab Emirates and Italy (with the latter relating to employment services for Italy, Bulgaria, Romania and the United Arab Emirates).
- GPS (a company of the Group) provided an eLearning course to 14 manpower agencies, including an effectiveness test.
- Assessment of the performance of the agencies monitored through interviews with international staff.
- An internal survey was carried out for monitoring 13 agencies.

### RESULTS 2020 VS. OBJECTIVES 2020
■ Continued to support the improvement of the supply chain in terms of HSE standards and human and labour rights, including through partnerships with local business associations and institutions in the areas we operate in.
■ Identified further areas/assets where a green procurement approach can be implemented.

### 2021 OBJECTIVES
- Identify further areas/assets where a green procurement approach can be implemented.

**SAIPEM MATERIAL TOPIC**

BUSINESS ETHICS AND ANTI-CORRUPTION & BRIBERY

**COMMITMENT**

> Operating in conformity with the best ethical business practices.

**2020 RESULTS**

> Model 231 and the Anti-Corruption procedures were updated.
> 100% coverage of the countries due to receive training on Anti-Corruption and 231 Compliance.

**RESULTS 2020 VS. OBJECTIVES 2020**

■ Model 231 and Anti-Corruption Procedures updated.
■ 100% coverage of the countries due to receive training on Anti-Corruption and 231 Compliance.

**2021 OBJECTIVES**

> Maintain the suitability of Model 231 and the respective procedures.
> Continue to maintain a suitable internal control and risk management system.
> Continue to improve transparency in relations and communication with stakeholders.
> 100% coverage of the countries envisaged by the training plan for Anti-Corruption and 231 Compliance.

**SAIPEM MATERIAL TOPIC**

ARTIFICIAL INTELLIGENCE AND DIGITALISATION
ADVANCED TECHNOLOGIES AND INNOVATION

**COMMITMENT**

> Aligning Saipem's business offering with the new business requirements and market scenario through innovation.
> Developing a methodology to map value creation through sustainable innovation during project execution.

**2020 RESULTS**

> 21 new patent applications, 10 of which for decarbonisation technologies.
> 14 cooperation agreements/licences signed, of which 10 were for decarbonisation projects and 2 for diversification projects.
> 204 FTE (full-time equivalent) resources involved in research and development.
> €35 million spent on Research & Development; a total of €74 million spent on innovation, of which around 25% was for decarbonisation (excluding gas).
> Developed a methodology to map value creation through sustainable innovation during project execution.

**RESULTS 2020 VS. OBJECTIVES 2020**

> Searched for ground-breaking innovation solutions and maintained high levels of investment in technological innovation.
> Developed a methodology to map value creation through sustainable innovation during project execution.

**2021 OBJECTIVES**

> Identify and develop decarbonisation technologies enabling a selective access to commercial development projects; launch of ground-breaking approaches to explore new areas of opportunity for the Company.
> Additional developments and application of the methodology for mapping the creation of value from sustainable innovation.
> Ensure support to digital transformation.

**SAIPEM MATERIAL TOPIC**

EMPLOYEE DEVELOPMENT

**COMMITMENT**

> Maintaining an alignment between employee skills and business requirements and improving the Company's image in order to retain and attract talented people.

**2020 RESULTS**

> Launched a Mentoring programme focused on Diversity and Inclusion.
> Launched a scholarship dedicated to colleague Egidio Palliotto.
> Agreed partnerships with training institutions in Mozambique for supporting teaching.
> Launched 4 "Deep in Saipem" workshop, a series of initiatives which aim to improve knowledge of operating projects delivered by the Divisions all over the world in order to promote the use of best practices and the

culture of knowledge and innovation, develop a sense of belonging to a unique global company and engage our employees and promote knowledge of Saipem's leadership model.

**RESULTS 2020 VS. OBJECTIVES 2020**

- Continued to implement training initiatives, the transfer of know-how and cooperation with schools in the countries the Group operates in.
- Continued to attract talents, with a specific focus on women and youngsters.

**2021 OBJECTIVES**

- Continue to attract talents, with a specific focus on women and youngsters.
- Attract talents with digital skills.
- Launch of Talent4Saipem.
- Continue to develop Local Content initiatives in Mozambique.
- Develop digital skills (hard and soft) through a dedicated digital training programme.
- Continue to invest in cyber security culture and skills.
- Continue to improve HSE culture through specific training activities.
- Continue to develop competencies relating to compliance and governments with dedicated training courses.
- Continue the focus on project management for developing technical and managerial competencies applicable all throughout the Saipem Group and targeting all expert employees involved in a company project.
- Make the most of managerial competencies in accordance with Saipem's Leadership Model.
- Develop new ad hoc development programmes and career paths for talents of different levels of seniority (Millennials, Middle Managers and Senior Managers).
- Adopt new tools for assessing managerial competencies linked to the Saipem Leadership Model of our brightest talents and make the most of their potential in the long-term.
- Continue to promote a meritocratic culture through development initiatives for making the most of the abilities and competencies of our employees.
- Launch the initiative "Internal Saipem Academy" with the objective of developing and sharing transversal competencies and technical abilities by making the most of internal teaching as a strategic asset.

**SAIPEM MATERIAL TOPIC**

EMPLOYEE ATTRACTION, TALENT MANAGEMENT & RETENTION

**COMMITMENT**

- Maintaining employee skills in line with business needs and strengthening the Company image in order to retain and attract talented people.

**RESULTS 2020 VS. OBJECTIVES 2020**

- Continued to attract talents, with a specific focus on women and youngsters.

**SAIPEM MATERIAL TOPIC**

DIVERSITY AND INCLUSIVE WORKING ENVIRONMENT

**COMMITMENT**

- Promoting the creation of an inclusive company culture.

**2020 RESULTS**

- Saipem's CEO has signed a declaration supporting Women Empowerment Principles (WEP) and the Manifesto for female employment of the association Valore D.

**RESULTS 2020 VS. OBJECTIVES 2020**

- Launched a Mentoring programme with the aim of promoting the Diversity and Inclusion process.

**2021 OBJECTIVES**

- Promote an inclusive culture that nurtures diversity and guarantees equal opportunities.
- Monitor the voluntary turnover rate of women.

**SAIPEM MATERIAL TOPIC**
ENGAGEMENT AND SATISFACTION OF EMPLOYEES

**2020 RESULTS**
> The major upheaval in 2020 stemming from the pandemic connected to the COVID-19 virus meant it was not possible to ensure the commencement of the periodic and consolidated engagement analysis process for the entire company population. Nevertheless, in November 2020 a survey was carried out targeting all employees on their perception of Saipem's reputation and their strategic alignment, which a total of 5,085 employees took part in (16.5% of the workforce involved in the survey).

**2021 OBJECTIVES**
> During the third quarter of 2021 an engagement survey on the company population will be launched once again, during the course of which people's main tangible and intangible factors of motivation and engagement will be analysed and assessed in terms of their operating and organisational environment, while maintaining a continuity and consistency with that which was addressed during the reputational survey carried out in 2020. Based on the results that emerge, specific objectives and action areas for the following year will be defined and identified.

**SAIPEM MATERIAL TOPIC**
EMPLOYEE INCENTIVES & BENEFITS

**2021 OBJECTIVES**
> In consideration of certain local practices and regulations, such as those for Italy which set forth, in the context of level 1 and 2 collective bargaining agreements, forms and procedures for employees to access supplementary pension and healthcare benefits, with the respective cost to be partially covered by the company, or the possibility to convert a share of a company productivity bonus to a welfare credit, during the course of 2021 a mapping process will be started in the main foreign branches, with the aim of analysing the existence of equivalent mechanisms/contractual instruments in order to subsequently assess the possibility of ensuring a more homogeneous and transversal approach strategy for pension and healthcare.

**SAIPEM MATERIAL TOPIC**
EMPLOYEE HEALTH & WELL-BEING

**COMMITMENT**
> Fully and completely involving the medical service in the health management of the pandemic with the aim of lessening its impact, protecting the health of workers and guaranteeing the continuity of the worldwide healthcare services and more generally the business continuity of the Company's.

**2020 RESULTS**
> Established a Health Task Force, reporting directly to the Medical Officer, who is a member of the company Crisis Unit, for monitoring the development of the pandemic.
> Published a periodic bulletin on the development and status of the pandemic.
> Updated the integrated pre-travel Health & Secur system with info on COVID-19.
> Drafted in specific accompanying documents and the respective risk matrices for geographical areas of the world, for a suitable assessment of risk.
> Identified and managed "fragile" and "vulnerable" workers.
> Institutional relations with the Italian civil protection service to support help/support programmes for the national public healthcare facilities. Technical and scientific verification of all material that was donated.
> Continual contact with the national ministries of health, the WHO, CDC and regional Italian ATS/ASL for all provisions regarding Italian and foreign employees in Italy and abroad.
> Acquired scientifically advanced tools that were adopted and distributed in Saipem's operating site in response to the pandemic and which may be used for other future diagnostic assessments.

**RESULTS 2020 VS. OBJECTIVES 2020**
- Continued to implement a complete system for prevention and monitoring of the pandemic.
- Ensured ongoing education and training for medical staff.
- Intensified the audit programme.

**2021 OBJECTIVES**
> Aside from the measures for containing the pandemic that have been tried and tested, introduce Sars-Cov-2 COVID-19 vaccinations.

# OUR CONTRIBUTION TO MITIGATING CLIMATE CHANGE

SASB
EM-SV-110A.2

## The climate change reduction strategy

Saipem expects to gradually reduce its dependence on the fossil fuel sector, reducing its $CO_2$ emissions and continuously extending its range of services in sectors with less impact on climate, working as a provider of innovative solutions to support clients in identifying the best technological choices with reduced carbon emissions. The Company has published the third edition of the document "Leading the Path to Energy Transition" prepared in accordance with the recommendations of the Task Force on Climate Related Financial Disclosure (TCFD), where, among others, issues related to the governance of the topics relating to the impacts of climate change, the identified climate-related risks and opportunities, in the short, medium and long term.
The Company strategy is based on the following three pillars:

- extending its range of services to its clients in sectors with less impact on the climate, investing in renewable technologies, developing solutions for a more sustainable use of fossil fuels and diversifying its activities. This implies strengthening its presence in existing markets with reduced carbon emissions (e.g. offshore wind farm, biofuels, concentrated solar power, etc.) and creating access to new markets (e.g. wave and tidal energy, ocean thermal energy conversion, energy storage, hydrogen and hybrid solutions). Furthermore, Saipem aims to diversify on the market, focusing on opportunities not linked to energy, such as infrastructures for sustainable mobility, water resource management and environmental services for the circular economy. Finally, particular attention is paid to less carbon-intensive energy sources, particularly the use of natural gas as an energy source in the transition period (for example LNG);
- becoming a key partner for its clients in the decarbonisation process. Major energy companies, as well as other high-carbon intensive industries, including steel and cement, are decarbonising their activities and working towards large-scale digital transformation throughout the value chain, involving key EPC vendors who invest in decarbonisation and digitalisation technologies. Saipem aims to become the "preferred partner" of clients working towards energy transition;
- improving the efficiency of its business activities and operations to reduce greenhouse gas emissions.

## Analysis of the climate-related scenario

For Saipem Group, the assessment of the long-term drivers (2050) of the external context is based on the analysis of various scenarios: each of these represents a possible path towards a different market structure. This analysis considers the macroeconomic, social and demand trends of the various energy sources which are deemed may have a visible impact on the main drivers of the business for the entire Saipem Group.
Both long-term and medium-and short-term scenarios are analysed in the context of the planning process and are considered amongst the elements for defining the Strategic Plan; these are updated every year and discussed with the Top Management and are covered by dedicated meetings of the Board of Directors and make use of different external sources (forecasts from analysts, companies from the sector, intergovernmental organisations and other stakeholders and consultants).

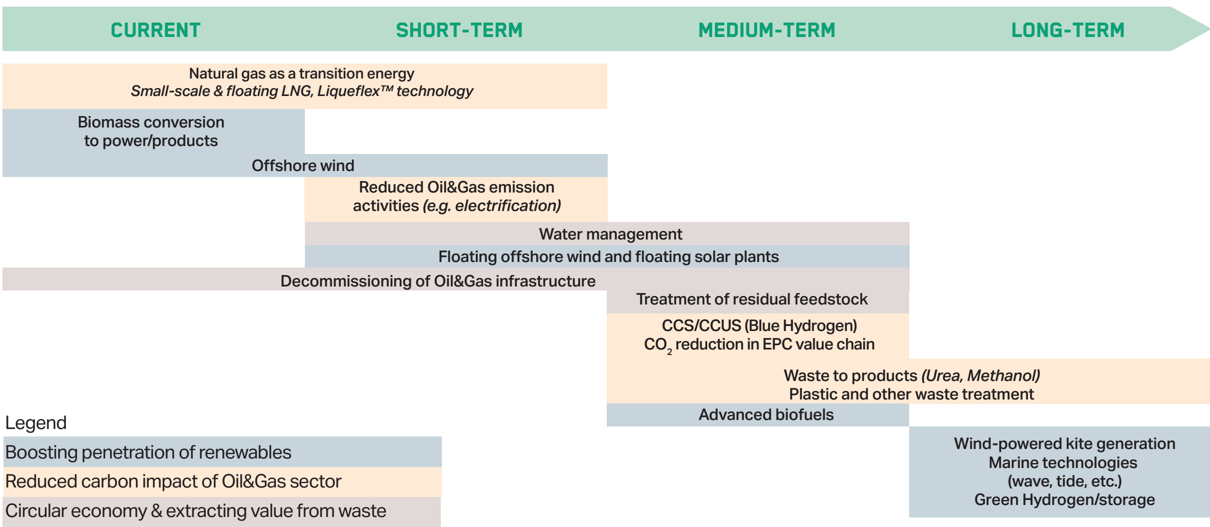
As detailed in the chapter on the development of the market scenario and strategy, although hydrocarbons will continue to play an important role in the medium term, their contribution to the global energy mix is destined to decline gradually in the long-term (with a timing that is likely to be faster for oil than for natural gas in the various scenarios). In this context, large-scale investments in hydrocarbons, particularly in gas infrastructures will remain necessary in the medium and long term, and it is expected that traditional clients will continue to invest in long-term strategic projects, particularly in some key regions like the Middle East. Cutting-edge technological solutions with lower environmental impact will increasingly be in demand, and this is a huge opportunity for Saipem. In what is likely to be a long phase of energy transition, different scenarios have highlighted the role of certain technologies, like the capture and storage of carbon dioxide (CCUS), that will allow the use of hydrocarbons to be more compatible with climate requirements. As well has "hybrid" solutions involving the integrated use of fossil fuels and renewable sources in situations where this is possible. Through CCUS technology it is possible, on the one hand, to significantly reduce direct emissions of $CO_2$ into the environment from various industrial processes and, on the other, enable the production of "Blue Hydrogen", to promote mobility with a lower environmental impact. In the medium-and long-term, the objective naturally remains that of replacing Blue Hydrogen with "Green Hydrogen" produced from renewable sources through increasingly efficient economies of scale and technologies.
The commitment towards technological development, the constant adaptation of the mix of expertise and innovation initiatives and its support to clients in defining the best technical and operating solutions from the perspective of the entire life-cycle of plants, are the most effective instruments Saipem is using to deal with the challenges linked to climate change which the industry is facing. Diversification in less carbon-intensive business segments and, where possible, adjacent sectors in which Saipem can exploit its expertise (such as the largest and most complex infrastructure projects), will remain a strategic pillar in coming years.

An analysis of scenarios, risks and opportunities focused on climate change (based on pre-COVID scenarios) is available in the Saipem document "Leading the path to energy transition", which was drafted in accordance with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) of the Financial Stability Board.

## Technological innovation and digitalisation

Across all its technological innovation activities, Saipem registered 16 new patent applications in 2020. In addition, Saipem is in fifth place in the league table drafted by the European Patent Office for Italian businesses with the greatest number of patent applications filed in 2019.
The new energy panorama emerging in coming years will be a mosaic of many competing forces, which is difficult to forecast today. What is clear however is that the speed of innovation and the adoption of new technologies will be fundamental for making conventional developments more sustainable in the energy transition process.
Saipem has identified many opportunities for providing cutting-edge and increasingly sustainable solutions to help clients meet the demands for a future with reduced carbon emissions. In 2020, the Company spent €35 million on research and development and the application of decarbonisation technologies, out of a total of €74 million spent on technological innovation. Moreover, 21 patents have been deposited, including 10 for new decarbonisation technologies.
Detailed information on research and technological development activities, artificial intelligence and digitalisation, as well as partnerships and collaborations on these areas, can be found in the "Research and development" section of the "Directors' Report".

### SAIPEM INVESTMENT STRATEGY IN THE TRANSITION TO A LOW-CARBON FUTURE




## Energy efficiency

GRI 302-1
GRI 302-3
GRI 302-4
SASB
EM-SV-110A.1

Direct energy consumption in 2020 fell by 26% compared to 2019 for the full consolidated perimeter (21% for the Group perimeter), in line with the contraction of activities during the year because of the COVID-19 emergency (-18% hours worked, reduction of ship and rig operations). In particular, the sites with most consumption were the Tangguh LNG Expansion Project (32 ktoe), the Saipem 7000 vessel (17 ktoe), the Mozambique LNG project (16 ktoe) and the Saipem FDS 2 vessel (14 ktoe).
In this context, we can see a general reduction in the direct consumption of fuel used for electric generators and internal combustion engines, which confirms the operational fall in the use of vessels and rigs during the year. We report that from 2020, vessels in the fleet will no longer use Heavy Fuel Oil and Intermediate Fuel Oil, so the consumption for these two fuels will no longer be reported. Indeed, on January 1, 2020 a new limit was introduced for the content of sulphur in fuels used on board ships, known as "IMO 2020". This regulation sets the sulphur limit outside designated areas for emission control to 0.5%, which represents a significant reduction compared to the previous limit of 3.5%. Within specific areas designated for emission control the limits were already more stringent (0.1%). This new limit became obligatory following an amendment to annex six of the International Convention for the Prevention of Pollution from Ships (MARPOL). These changes resulted in the updating of the reporting categories of fuels used in ships: phase-out of Heavy Fuel Oil, Intermediate Fuel Oil and Light Fuel Oil and integration of Marine Fuel Oil and Marine Gas Oil, which are categorised based on sulphur levels above or below 0.1%.

The reduction in electrical energy is mainly attributable to a reduction of operating activities in the Kuryk yard and the suspension of operations on two onshore rigs in Kazakhstan which are powered by the electricity grid, and the closing of numerous offices due to the pandemic. Despite this, Saipem continues to implement numerous initiatives aiming to reduce its own energy consumption and, consequently, its $CO_2$ emissions. The initiatives implemented are divided into four areas:

- **energy monitoring**, with the objective of keeping under control flows of energy to identify improvement actions and assess the benefits;
- **energy saving**, aiming to reduce energy consumption by eliminating useless wastes of energy and improving process management and efficiency;
- **energy efficiency**, aiming to reduce energy consumption by installing more efficient equipment;
- **renewable energy**, producing the same amount of energy from a source with lower emissions.

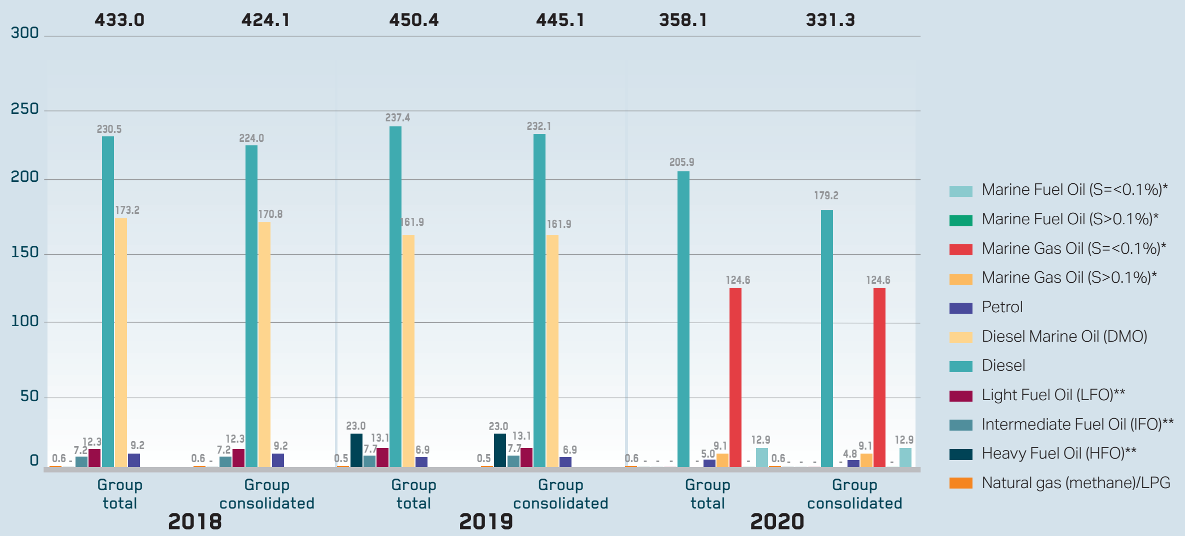
In 2020, these initiatives led to a reduction in energy consumption of 352,402 GJ (355,808 GJ at Group level). Examples of initiatives implemented during the year include: the continual improvement in the luminous efficiency in numerous onshore and offshore sites, improvement in the efficiency of Saipem vessels (initiatives for the optimisation of routes and the Saipem eco Operation campaign), the installation of solar light towers, a better management of energy in offshore rigs (Saipem 12000 and Scarabeo 8), etc.
More information is available in the chapter "Enabling carbon footprint reductions" of the 2020 Sustainability Report "Ready for the transition - Enabling a green future".

| | | 2018 | | 2019 | | 2020 | |
|---|---|---|---|---|---|---|---|
| | | Group total | Group consolidated | Group total | Group consolidated | Group total | Group consolidated |
| **Indirect energy consumption** | | | | | | | |
| Electricity | (MWh) | 88,996 | 85,069 | 80,171 | 78,177 | 54,797 | 44,387 |
| **Renewable energy** | | | | | | | |
| Electricity produced from renewable sources | (MWh) | 297.6 | 297.6 | 368.3 | 368.3 | 299.6 | 299.6 |

| | | 2018 | | 2019 | | 2020 | |
|---|---|---|---|---|---|---|---|
| | | Group total | Group consolidated | Group total | Group consolidated | Group total | Group consolidated |
| **Total direct consumption of energy** | (TJ) | **18,128** | **17,756** | **18,857** | **18,635** | **14,992** | **13,870** |
| **Total indirect consumption of energy** | (TJ) | **321** | **307** | **290** | **283** | **531** | **430** |
| **Total consumption of energy** | (TJ) | **18,450** | **18,063** | **19,147** | **18,918** | **15,523** | **14,300** |
| Energy intensity | (TJ/€ mln) | | | 2.1 | - | 2.1 | - |

The calculation of energy consumption in Joule is made by applying the following conversion factor: ktoe = 41,867 GJ. The value of the energy intensity is calculated through the ratio between the total consumption of direct energy and the total revenues, expressed in millions of euro.

DIRECT CONSUMPTION OF ENERGY (ktoe)




(*) Categorie introdotte nel 2020.
(**) IFO, LFO e HFO categorie non più contemplate dal 2020.

GRI 405-1
GRI 405-2
GRI 405-3
GRI 405-4
GRI 405-5

## GHG emissions

Among the Company's environmental priorities is the reduction of greenhouse gas emissions, including through energy efficiency initiatives. In particular, including in relation to that which is set forth in the Paris Agreement (COP 21 in 2015) on the fight against climate change, Saipem has set itself the target of accelerating the pursuit of medium and long-term strategies and implementation plans to reach Net-Zero emissions of greenhouse gases.
Saipem's strategy can be broken down into 2 main pillars:

> become a key partner for its clients in their decarbonisation actions, while also extending its offer in sectors with a lower impact on climate and an evolution of the business model and organisation in order to transform Saipem into a global solution provider in sustainable energy transition, as described in sections "The strategy for the reduction of climate change" in this document and in the annual Sustainability Report;

> improve the efficiency of its assets and operations to reduce its greenhouse gas emissions.

With regard to the second pillar, Saipem has defined a strategy for the reduction of GHG emissions to reach the Net-Zero objective, with regard to Scope 1, Scope 2 and Scope 3 emissions.

## GHG reduction strategies for Saipem's assets and operations to achieve Net-Zero

### Short-term strategy (2019-2024)

Starting in 2018, the process of improving the efficiency of its most energy-intensive assets (vessels, rigs and yards), which involved carrying out ad hoc energy diagnoses, was systematised with the issuing of the first Strategic Four-year Reduction Plan for GHG, that has been renewed and updated annually and has become part of the company's MBO.
The objective of the plan is to identify specific areas of improvement and targets for reducing in the short term Saipem's overall GHG emissions, which also represent a part of the indirect (upstream) emissions of clients.

### Medium and long-term strategy (2030-2050)

Elements considered in the medium (2030) and long (2050) term roadmap, to be pursued in parallel:
1. reduction in its emissions (priority activity);
2. offsetting of residual "difficult to abate" emissions.

Through a multidisciplinary approach, measures to reduce emissions will be identified, as will the expectations and requirements of the communities in the areas in which the company operates, in order to develop projects to improve accessibility to sustainable energy, the quality of life and socio-economic development in these territories through pilot schemes.
Reduction activities refer to scope 1, scope 2 and scope 3 emissions, in accordance with the procedures described below.

### Group Targets for scope 1 and 2 GHG emissions

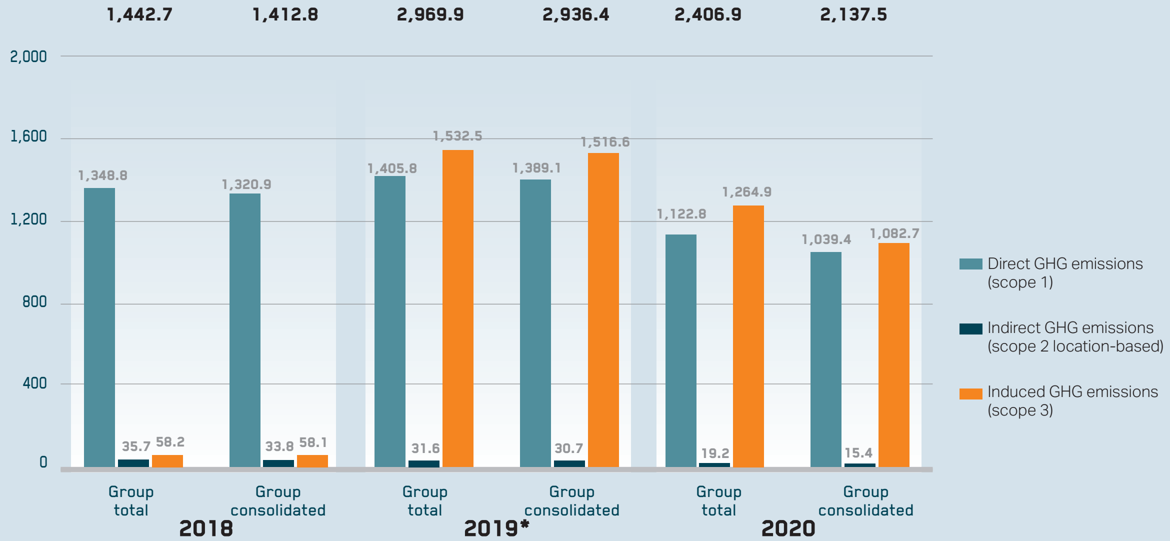
50% reduction in 2035 compared to the 2018 emissions baseline:
- for scope 1 the main technological, plant and electrification actions are ongoing on the most energy-intensive assets, such as Vessels, Rigs (Onshore and Offshore), Accommodation camps/Temporary Construction Facilities (TCFs) and Yards;
- scope 2 emissions are indirect and generated through the use of electrical energy from the grid, in particular Office Buildings located all over the world, as well as certain Fabrication Yards in non-remote areas, where connections to the local electricity grid are available. The use of electrical energy from renewable sources will be maximised even for clients and projects where possible;
- moreover, the Hub in San Donato Milanese, which represents the main management office in terms of the number of employees and energy consumption, will be relocated in 2022 to 2 new office buildings, which are currently under construction, with a high energy efficiency, in a strategic location in terms of regional and national mobility, in Milan's Rogoredo neighbourhood. Similar choices have also been made in the past in other important branches, such as GPS in Zürich, Moss Maritime in Norway and Saipem Ltd in London and will be the blueprint for future choices.

### Target emissions scope 3

Saipem wants to have a leading role in supporting and encouraging clients, suppliers and various actors in the value chain to reach the same objectives:
- thanks to a reporting system for scope 3 emissions that is reliable, traceable and validated by an independent third party, Saipem wants to work in synergy and partnership with suppliers for the reduction of emissions, particularly in the procurement of materials and in aspects linked to mobility.

Through the energy saving initiatives described in the previous section, in 2020 $CO_2$ eq savings of 26,436 tonnes (26,689 tonnes at Group level) were achieved. In 2020, Saipem recorded a GHG intensity of 155.5 t $CO_2$ eq/€ mln (at Group level, the value is calculated considering the location-based scope 1 and scope 2 emissions in relation to revenue in millions of euro). It has been estimated that through its GHG Strategic Plan, Saipem will achieve emissions reduction of 255,000 tonnes of $CO_2$ equivalent in the time span 2019-2024.
As described later in the section, the scope 3 categories that are monitored are unchanged since 2019. In 2020, there was a general reduction in emissions (-29% for the full consolidated perimeter, -17% for the Group perimeter), due mainly to:
- a reduction in the procurement of materials, -30% emissions for the consolidated perimeter and -13% of emissions in the Group perimeter, in relation to the general reduction in activities (68% of the total);
- a lower number of flights as a result of the pandemic, -60% emissions in both parameters (2% of the total);
- a lower quantity of fuel used, -20% emissions for extraction and transport of these in both perimeters (20% of the total).

EMISSIONS (kt $CO_2$ eq)




Le emissioni scopo 1 sono state calcolate adottando i fattori di emissioni presenti nel documento "IPCC Guidelines for National Greenhouse Gas Inventories 2006". Le emissioni scopo 2 location-based sono state calcolate utilizzando i fattori di emissioni dalle seguenti fonti: Confronti internazionali (Terna) e Greenhouse Gas Protocol.
(*) This figure was corrected compared to that which was previously published in the 2019 Consolidated Non-Financial Statement.

| | 2018 | | 2019 | | 2020 | |
|---|---|---|---|---|---|---|
| (kt $CO_2$ eq) | Group total | Group consolidated | Group total | Group consolidated | Group total | Group consolidated |
| Market-based scope 2 emissions | 38.2 | 36.3 | 33.8 | 32.9 | 21.5 | 20.0 |

The marked-based scope 2 emissions have been calculated using 2018 European Residual Mix (AIB) emission factors.

The Company maintains a methodology for estimating emissions that is certified by an independent third party in accordance with the principles of regulation UNI EN ISO 14064-3:2012. The method had already been revised for the first time in 2018, and again in 2019, with an extension of the field of application of the method, and in particular by extending the emission categories of scope 3 emissions.
The following GHG emissions are considered in the document:
- direct emissions deriving from the use of fuels (scope 1);
- indirect emissions deriving from the purchase of electrical energy and location and market-based emissions (scope 2);
- indirect scope 3 emissions deriving from:
  - extraction and transportation of the fuels used, directly and indirectly;
  - network losses in the transmission of purchased electrical energy;
  - water procurement and disposal;
  - procurement of materials and waste disposal;
  - shipment of materials;
  - employees' use of cars in Italy;
  - hotel accommodation during business travel managed by Italy;
  - flights for business travel managed by Italy.

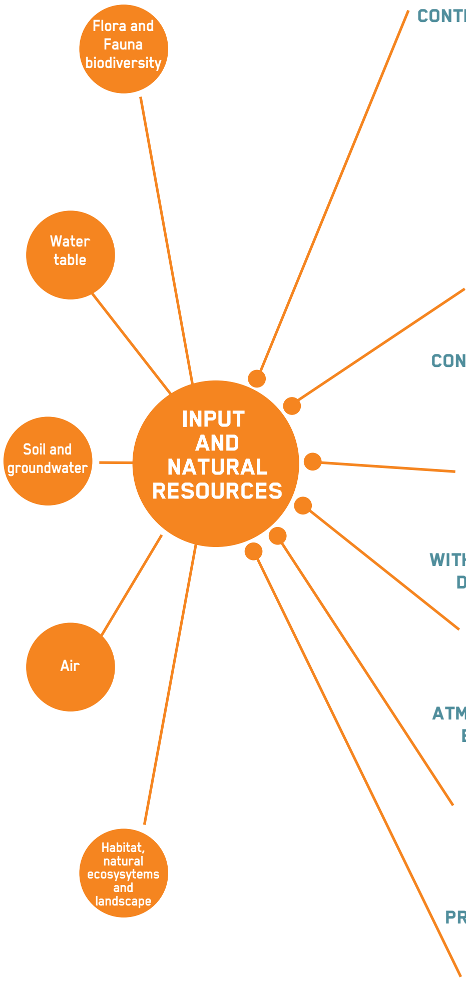
The Company is also developing a specific methodology to forecast GHG emissions for plants designed by Saipem during their projected period of operation.
The following GHG emissions are considered in the document:
- emissions deriving from the combustion of fuels;
- fugitive emissions (leaks, venting and flaring);
- indirect emissions produced by electrical energy that is purchased.
- indirect emissions produced by heating that is purchased, including dispersions;
- indirect emissions produced by cooling that is purchased.

The methodology for estimating emissions is applied to the data provided by the Department of Engineering during the conceptual phase of a project.
The methodology is also being certified and validated by an independent third party in accordance with the principles of regulation UNI EN ISO 14064-3:2012.

# PROTECTING THE ENVIRONMENT AND MINIMISING ENVIRONMENTAL IMPACTS

## Environmental management policies and system

Saipem is aware that all its activities, from the planning and design stages to construction and operation, may potentially have an impact on the environment, both directly and along its business value chain.
In identifying, assessing and managing environmental and social impacts tied to business management, both potential and real, Saipem is guided by international regulations, principles, shared approaches and internationally recognised recommendations adopted in the industry including UN Global Compact principles (especially, principles 7, 8 and 9 that refer to the environment), the principles expressed in the International Finance Corporation (IFC - World Bank), Performance Standards on Environmental and Social Sustainability, Organisation for Economic Co-operation and Development (OECD) guidelines for multinationals.
As described in the HSE Policy of Saipem SpA, the Company is committed to preventing the potential environmental impacts caused by its activities and using energy and other natural resources efficiently.
Saipem takes all necessary measures to ensure environmental protection when carrying out its works, both for activities managed directly by its own personnel and using its own means and operations managed by third parties for its operational projects (clients, subcontractors, etc.) in order to minimise and correctly manage the significant environmental aspects and impacts that may arise from them. Moreover, Saipem pays the utmost attention to the constant improvement of its environmental performance. To guarantee these results, Saipem has adopted a certified Environmental Management System. All the most significant entities in the Saipem Group are ISO 14001:2015 certified to support and guarantee the environmental management system adopted by the Company. Saipem is aware of the real impacts of its activities and defines specific actions and tools required to manage these impacts for each operating context.
In its purchasing processes, Saipem is committed to selecting materials and services which are considerate of environmental criteria and encourages the use of low impact technologies through the research and adoption of solutions with the lowest possible impact on the environment during their entire life-cycle, in terms of the disposal/release/emission of pollutants, the use of hazardous substances and the production of waste.
Furthermore, the Company invests in research and development programmes to create technologies that minimise the environmental impact of its operations and of the delivery of its service to the reference sector, and organises specific initiatives designed to promote environmental awareness and the dissemination of best practices, also involving external entities as addressees. Further details can be found in the "Research and development" section of the Directors' Report and in the "Ready for the transition - Enabling a green future - Sustainability Report 2020".




| SAIPEM OPERATIONS ENVIRONMENTAL ASPECTS | MAIN OUTPUTS AND POTENTIAL IMPACTS ON THE ENVIRONMENT | MANAGEMENT AND MITIGATION MEASURES |
|---|---|---|
| SPILL CONTINGENCIES | • Soil, groundwater and water pollution<br>• Degradation and loss of natural habitats and ecosystems<br>• Wildlife and flora disturbance<br>• Biodiversity depletion<br>• Impacts on public safety | • Spill management hierarchy: prevention; preparedness; response<br>• Suitable storage areas for oils and chemicals<br>• Hazardous substances inventory<br>• Spill mapping and risk assessment<br>• Spill kit availability<br>• Use of environmentally friendly substances<br>• Emergency training and drills<br>• Analysis of accidents and implementation of corrective actions, extended, where applicable, to the entire Group. |
| ENERGY CONSUMPTION | • GHG emissions and global warming<br>• Air pollution<br>• Damage to wildlife and flora<br>• Loss of natural habitats | • Energy saving and efficiency practices<br>• Use of renewable sources<br>• Energy assessments on critical assets<br>• Maintenance and replacement of equipment and machines<br>• Use of less pollutant fuels |
| WATER WITHDRAWAL/ DISCHARGE | • Groundwater pollution<br>• Use of groundwater<br>• Degradation and loss of aquatic habitats and ecosystems<br>• Wildlife and flora disturbance<br>• Biodiversity depletion | • Water reuse and saving practices<br>• Treatment plants<br>• Periodical maintenance |
| ATMOSPHERIC EMISSIONS AND DUST | • Air pollution<br>• Degradation and loss of habitats and ecosystems<br>• Wildlife and flora disturbance<br>• Biodiversity depletion | • Maintenance and replacement of equipment and machines<br>• Dust control programmes<br>• Pollutant abatement systems<br>• Use of less pollutant fuels<br>• Energy saving and efficiency practices |
| WASTE PRODUCTION | • Soil overuse<br>• Decreased landfill space<br>• Modification of landscape<br>• Impacts on public safety<br>• Direct and indirect impacts connected with improper management | • Waste management hierarchy: reuse; reduce; recycle<br>• Waste valorisation practices<br>• Recycling programmes<br>• Suitable waste storage areas<br>• Efficient waste management equipment<br>• Training of waste management personnel |
| NOISE AND VIBRATIONS | • Human/wildlife and flora disturbance<br>• Degradation and reduction of natural habitats and ecosystems<br>• Biodiversity depletion | • Periodic maintenance and replacement of equipment and machines<br>• Enclosing noise sources<br>• Noise barriers/screens<br>• Proper planning of noisy activities<br>• Use or quieter working methods/technologies |

**RISKS COVERED BY ITALIAN LEGISLATIVE DECREE NO. 254/2016: ENVIRONMENTAL ASPECTS**

| Saipem material topic | Risks identified by the Company | Summary of adopted risk mitigation measures |
|---|---|---|
| Spill prevention and response | Environmental pollution | To prevent and mitigate this risk, Saipem has adopted an ISO 14001 certified environmental management system that applies for the Group from the operational standpoint. Furthermore, the Company employs environmental risk assessment techniques and tools and conducts audits and training and awareness courses for its personnel and main contractors. Finally, Saipem has developed response plans to prevent and manage environmental emergencies (for example in the event of spills). |
| Technology, innovation and operational research | Failure to exploit technologies, innovative ideas and business models that are disruptive | Saipem is committed to developing and diversifying its portfolio of technologies and patents through significant investment in research and development and to monitoring technological developments in the pertinent industries also performing benchmark analyses and scouting innovative start-ups. A key element of the risk mitigation and prevention strategy on this issue is the initiative concerning its incubator of ideas and prototyping laboratory, "Innovation Factory", designed to test solutions that respond to the challenges of the industry in which Saipem operates through new technologies (digital first and foremost) and new methods. |
| | Failure to expand the technology portfolio linked to the energy transition | The mitigation and prevention of this risk is performed by focusing on the development of technologies and patents linked to the ongoing energy transition (e.g. renewable energies and capture of $CO_2$) through its research and development activities. Moreover, Saipem is committed to continually monitor and further technological developments related to the energy transition. Finally, Saipem is committed to exploiting technological solutions it is the proprietor of or for which it has drawn up contracts for exploitation, by offering commercial solutions to existing or potential new clients. |
| Energy efficiency<br>Prevention of climate change and greenhouse gas emissions | Loss of competitiveness of assets because of changes to laws on greenhouse gas emissions | Saipem is committed to constantly monitor the evolution of laws and regulations in the field of greenhouse gas emissions at the international level in order to mitigate and prevent such risk. In addition, the Group has defined a four-year strategic plan with quantitative targets for the reduction of greenhouse gas emissions, which were applied at both the division and corporate levels, and involve actions for improving energy efficiency. |
| Water management | Environmental impact on the management of water resources during operations | The risk, although considered as manageable in ordinary operations, is subject to mitigation by Saipem through various prevention initiatives, including the mapping of consumption in areas subject to water stress, the introduction into HSE reporting system for a new category of accidents related to water discharges uncontrolled, as well as water efficiency initiatives. |

## Spill prevention and response

GRI 306-3

Pollutant spills are one of the most significant environmental issues for the sector in which Saipem operates. In the case of spills, the prevention of accidental events and response actions are absolute priority elements for their management. Saipem's spill management strategy is in fact focused on minimising the risk of spills and implementing emergency mitigation and management actions, for which it adopts advanced equipment and procedures. The Saipem management system is based on the following hierarchy of actions:

- Prevention: actions have been implemented to identify specific areas of risk and improve processes and operational control of those sites and vessels which are most at risk of spills.
- Instruction and training: specific training events on spill prevention are periodically organised, along with drills aiming to improve the skills of operating staff in emergency management. The drills are carried out both on land and at sea, involving, if necessary, clients or third parties designated for emergency response activities. During the course of 2020, 547 spill response exercises were carried out.
- Emergency response: all Saipem sites have the necessary equipment for tackling any emergency which may arise and specific Spill Response Teams have been set up and trained. Each operating site implements a spill management plan which identifies the accident scenarios and adequate response modes and can also include the intervention of designated third parties.
- Reporting: the data concerning spills and "near misses" (events that, under slightly different conditions, could have caused environmental damage) are monitored by a specific software and subsequently analysed to assess the causes, prevent recurrence and share the "lessons learned" within the Company.

More information on the actions taken by Saipem to reduce the risk of spills is available in the "Generating shared value" chapter of the 2020 Sustainability Report "Ready for the transition - Enabling a green future".

| | | 2018 | | 2019 | | 2020 | |
|---|---|---|---|---|---|---|---|
| | | Group total | Group consolidated | Group total | Group consolidated | Group total | Group consolidated |
| **Number of spills** | | | | | | | |
| Total | (No.) | 18 | 17 | 54 | 54 | 106 | 38 |
| Spills of chemical substances | (No.) | 5 | 5 | 16 | 16 | 7 | 4 |
| Spills of oily substances | (No.) | 13 | 12 | 38 | 38 | 79 | 23 |
| Spills of biodegradable substances (*) | (No.) | - | - | - | - | 7 | 7 |
| Spills of drilling muds (*) | (No.) | - | - | - | - | 3 | 3 |
| Spills of wastewater (*) | (No.) | - | - | - | - | 10 | 1 |
| **Volume of spills** | | | | | | | |
| Total | ($m^3$) | 7.22 | 3.25 | 10.40 | 10.40 | 13.04 | 6.22 |
| Spills of chemical substances | ($m^3$) | 0.77 | 0.77 | 7.60 | 7.60 | 3.09 | 3.08 |
| Spills of oily substances | ($m^3$) | 6.46 | 2.49 | 2.90 | 2.90 | 0.43 | 0.15 |
| Spills of biodegradable substances (*) | ($m^3$) | - | - | - | - | 2.42 | 2.42 |
| Spills of drilling muds (*) | ($m^3$) | - | - | - | - | 0.52 | 0.52 |
| Spills of wastewater (*) | ($m^3$) | - | - | - | - | 6.58 | 0.05 |

(*) Category introduced in 2020.

Since 2019, the internal reporting rule is in place, with the minimum spill limit for reporting reduced from 10 litres to 1 litre, to ensure better alignment with internal incident management rules which state that any spills with a spilled volume of 1 litre or more must be treated as incidents. Out of 106 total spills, in fact 70 were less than 10 litres. The sites with the highest number of spills in excess of 10 litres are the onshore project Mozambique LNG (Mozambique, 16), the offshore project Barzan Pipeline (Qatar, 3) and the vessels Scarabeo 8 (4) and Saipem 7000 (4). The total number of spills has increased because of the 67 spills which occurred in the project Mozambique LNG, which are attributable to a company that is not included in the consolidated perimeter. Because of the high number of spills in the first half of year, an in-depth audit was conducted on the project in August, which resulted in the implementation of specific corrective measures, including the establishment of a monthly inspection and TBT schedule for subcontractors, the creation of dedicated checklists on the topic (Hazmat, Refuelling and Spill Prevention Control), issuing of specific HSE bulletins (HSE Spill) and a request for reports from the exercises conducted on this topic by subcontractors.
The volume of spills in 2020 within the consolidated perimeter fell from 2019, while, for the Group perimeter, there was an increase in the volume due mainly to the following event which occurred in Mozambique:

- 5 $m^3$ spill of a mix of kitchen fat and water which leaked onto the ground during transfer from a tanker to a truck for disposal at the onshore project Mozambique LNG (Mozambique).

Among the most significant events, we also report:

- 1.6 $m^3$ spill for a leak on a strut which caused a discharge into the sea of BOP (Blow Out Preventer) fluid, made of water (76%), propylene glycol (20%) and Pelagic 50 (4%), on the Scarabeo 8 vessel;
- 1.2 $m^3$ spill due to a loose hydraulic coupling which caused a discharge into the sea of biodegradable oil on the Saipem 7000 vessel;
- 1 $m^3$ spill due to the breakage of a hose which caused a discharge into the sea of BOP fluid on the Scarabeo 8 vessel.

Each spill is assessed in terms of criticality, according to the actual and potential impacts generated by the event. No events occurring in the year had severe consequences. Each event is analysed in terms of its cause and the opportunity is exploited to adopt suitable measures are adopted to prevent and minimise the risk of it happening again in future.

## Water resource management

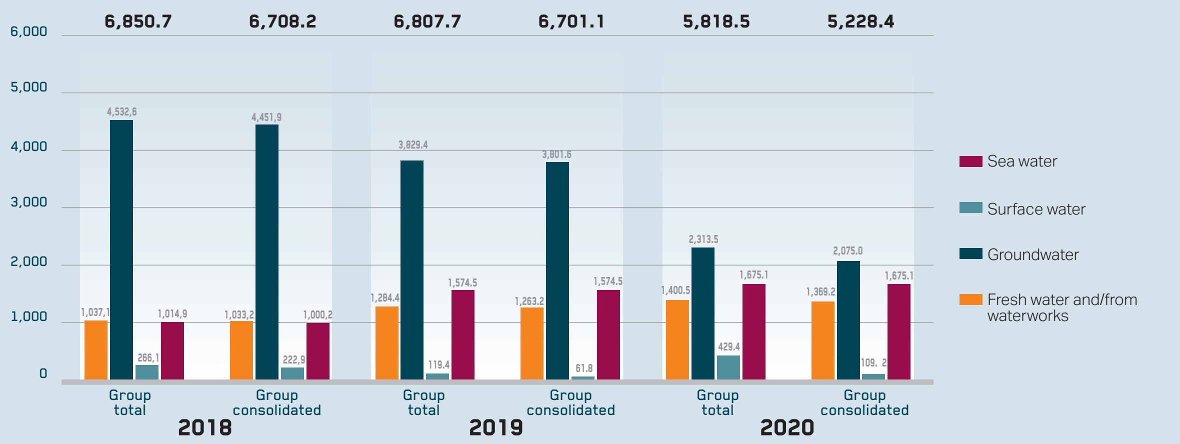
GRI 303-4 (2018)
GRI 303-5 (2018)
SASB
EM-SV-140A.1
EM-SV-140A.2

Considering the geographical location of the Company's important operating activities, water is a significant aspect to be monitored and managed. In fact, important operating activities are carried out in areas considered "under water stress", where the implementation of a strategy to reduce withdrawal and use the resource efficiently is considered a priority. The re-use of water, after suitable treatment, is a key activity to minimise water withdrawal.
The commitment to a responsible management of water resources is transmitted to all company levels through the issue of annual Group HSE plans, which are then implemented by the divisions and operating companies.
The awareness of growing pressure on water resources, despite significant territorial variations, is driving Saipem to focus more on the development of new water technologies and in general on the improvement of its water management.

The water resource management strategy is an integral part of the environmental strategy and is defined in the environmental management system documentation; it is also an objective of the Group HSE plan.
The hierarchical approach to water management aims to maximise reuse, where possible, and reduce water consumption in all operational sites and projects, particularly those in water-stressed areas.
Saipem is aware of the need for greater resilience in the planning and management of water resources, also to react to the effects of climate change. In some regions, there could be an increase in water availability, while in others a reduction in availability, leading to water stress and competition for resources, throughout the project life cycle.
Each year Saipem maps its sites located in water-stressed areas, in order to raise awareness in the sites and projects. The analysis of water flows and areas with high levels of water stress constitutes the basis for the subsequent definition of initiatives to reduce consumption and mitigate the associated impacts.
Water management plans focus on the identification of critical aspects and propose actions to reduce water consumption and increase the percentage of reuse, including an analysis of water usage and consumption, identifying the most significant consumption points, as well as identifying and prioritising initiatives to reduce water consumption and increase water reuse.
Normally the waste water treated can be reused for dust abatement, irrigation, hydrotesting (in accordance with specific regulatory limits). Furthermore, potable and non-potable water systems are separated in the design of logistics bases, sites and fields.
Saipem is aware of the fundamental importance and correlation between the use of energy and water. Specifically, in offshore fabrication yards, contrarily to what occurs on board an offshore vessel, the use of water and energy is not concentrated as it is spread across a vast area: this poses significant challenges for monitoring, especially when an exact calculation is made of how much fuel and how much water were used for a specific activity (or series/types of activities, such as fabrication works or for accommodation toilets). Moreover, as can be seen in the water stress maps, which are produced by Saipem, certain yards are situated in areas with a high water stress or, at any rate, in regions where a significant pressure is exerted on water resources.
For this reason, the Saipem Offshore E&C Division has chosen to go beyond legal requirements and implement within its fabrication yards a Management Plan for energy and water efficiency (YEWEMP), based on the same concept introduced by the IMO for ships (MARPOL annex VI) of the Ship Energy Efficiency Management Plan - SEEMP.
The main idea is that energy and water must be treated as precious and scarce resources, so an increased attention must be placed on procedures for their management and use. This is analysed systematically with energy and water flow diagrams mapping the paths of each of these from the source (e.g. public network for site generation plants) to each individual use within the premises. Therefore, the plan provides a tool for implementing efficiency initiatives, by assigning priorities based on the expected impact or benefit, and a series of KPI to enable careful monitoring on a monthly basis. Since they are activity/business-specific, these indicators also make it possible to quantify more precisely the footprint of fabrication activities in terms of greenhouse gas emissions: this estimate will become increasingly useful in bidding phases to demonstrate to clients Saipem's commitment to reducing emissions during the entire life cycle of a project (including fabrication).
Between 2019 and 2020, Saipem's main sites developed their own YEWEMP, i.e. Ambriz (Angola), Arbatax (Italy), Karimun (Indonesia) and SCNL (Nigeria). Thanks to the behavioural practices put in place by the staff, which are inspired by combining energy and water according to the principle that the production of fresh water requires energy and providing energy means using water, through responsible behaviour and the implementation of technical improvements, the objective in these sites is to achieve energy and water efficiency. The initiative will continue in 2021 by developing and implementing the plan in other sites and fabrication yards.
In 2020, in the Onshore E&C Division, Temporary Construction Facilities (TCF) feasibility studies were prepared for energy efficiency for the Marjan pack 10 and Berri projects, with both studies containing measures to deliver water savings. The Marjan field should be operational by September 2021 while the Berri field should be operational from July 2021.
With regard to water savings, there follows below the estimated savings for both projects calculated on the basis of the peak number of people: 20,000 litres per day (peak of 600 people in the field) 15,000 litres per day (peak of 450 people in the field).
It should also be noted that the new Italian headquarters are under construction and will involve the transfer to Milan of the company's headquarters in San Donato Milanese. The new complex, which is inspired by the most modern architectural solutions, from the perspective of technological innovation with a focus on sustainability and respect for the environment, will allow for a significant reduction in the consumption of drinking water thanks to the efficiency of the plant and equipment that have been selected and the reuse of rainwater.
To improve traceability and reporting on water consumption, since 2019 the methodology for the calculation of water consumption has been amended to envisage that wastewater that is disposed legally be classified and reported as waste (non-hazardous or hazardous according to local law) and not as discharged water.
Every year Saipem celebrates the World Water Day (March 22) as a further opportunity for raising awareness and launching initiatives on this topic.

Furthermore, the initiatives carried out in the local communities are yet another opportunity for raising awareness and introducing best practices for the management of water resources, particularly in areas where the analysis of the local context highlights water stress, scarce potable water and hygiene conditions.

### WATER WITHDRAWALS ($10^3$ $m^3$)




| | | 2018 | | 2019 | | 2020 | |
|---|---|---|---|---|---|---|---|
| | | Group total | Group consolidated | Group total | Group consolidated | Group total | Group consolidated |
| **Recycled and re-used water** | | | | | | | |
| Re-used water | ($10^3$ $m^3$) | 1,641.0 | 1,640.8 | 1,657.1 | 1,657.1 | 802.5 | 802.5 |
| | (%) | 24 | 24 | 24 | 24 | 14 | 15 |

## Sewage water discharge

| | 2018 | | 2019 | | 2020 | |
|---|---|---|---|---|---|---|
| ($10^3$ $m^3$) | Group total | Group consolidated | Group total | Group consolidated | Group total | Group consolidated |
| **Total discharged water, of which:** | **4,232.9** | **4,099.7** | **3,468.9** | **3,424.7** | **2,780.8** | **2,628.6** |
| - water discharged into the sewer systems | 380.4 | 377.6 | 185.5 | 180.1 | 240.4 | 175.7 |
| - water discharged into bodies of surface water | 2,388.6 | 2,388.6 | 1,592.3 | 1,592.3 | 1,040.3 | 1,040.3 |
| - water discharged into the sea | 729.3 | 677.3 | 1,115.2 | 1,076.4 | 1,500.0 | 1,412.6 |
| - water discharged to other destinations (*) | 734.7 | 656.3 | 575.8 | 575.8 | - | - |

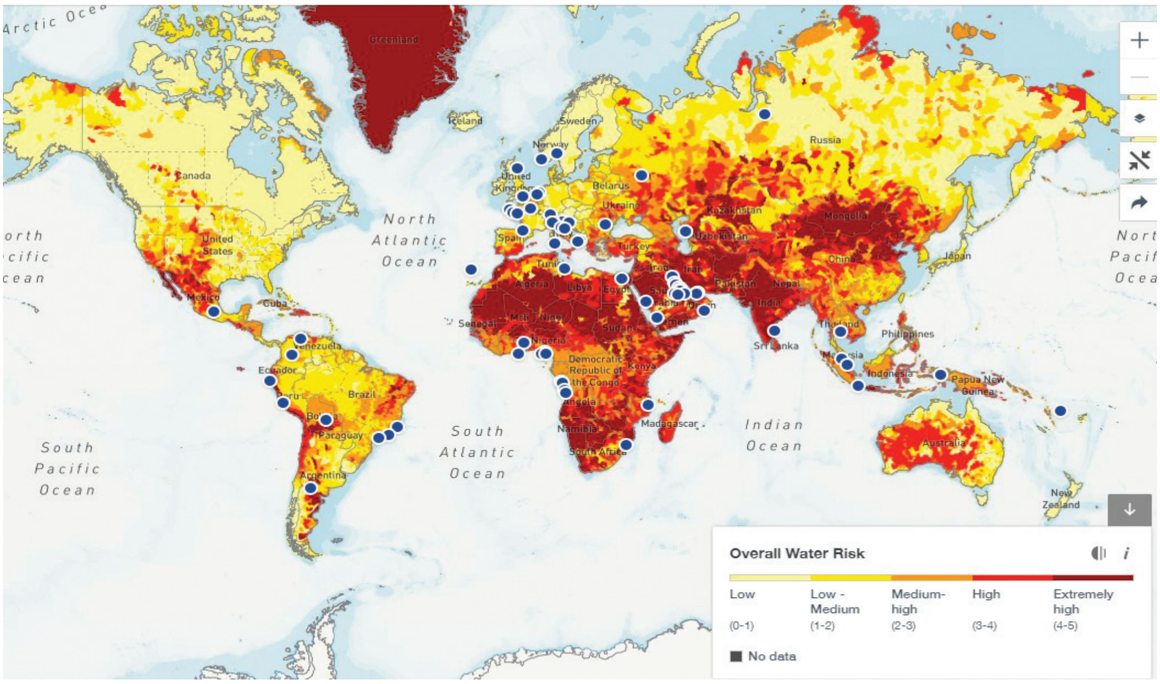
(*) Category no longer considered as of 2020.

In terms of total water withdrawals for the year (excluding water from underground aquifers), withdrawal of freshwater represents 28.3% (31.4% for the Group perimeter) of total withdrawals, while withdrawals of saltwater account for 32.0% (28.8% for the Group perimeter). In-depth assessments of water from aquifers will be conducted starting from the next reporting cycle.
Water consumption fell by 23% compared to 2019 (it was 15% for the Group perimeter), mainly as a result of a sharp reduction in the withdrawal of groundwater. In particular the following were recorded:

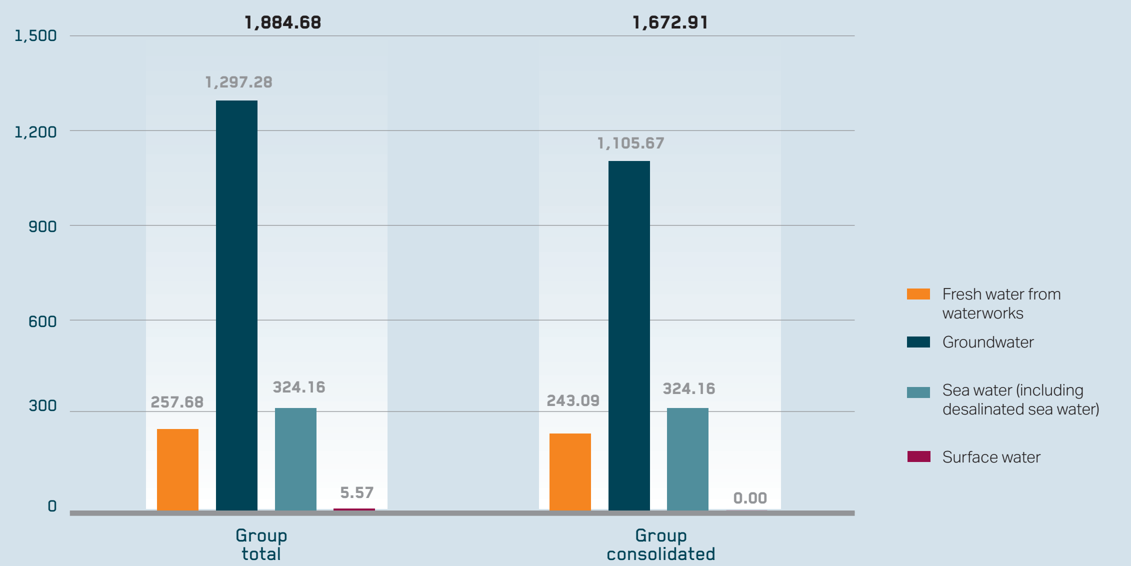
> an increase in withdrawal from fresh water/mains water systems, mainly in the onshore projects Duqm (Oman) and SGCP (South Gas Compression Plant - Saudi Arabia), and Arctic LNG 2 (Russia), and in the Karimun yard (Indonesia);
> a reduction in the water withdrawn from underground aquifers, due to reduced supplies to the San Donato Milanese offices (which use water for the internal air conditioning system) which coincided with the closure of the offices due to the pandemic;
> a slight increase in the withdrawal of seawater, due mainly to its use in the onshore project Tangguh LNG Expansion Project (Indonesia).

The increase in water discharges in sewage systems is mainly due to the commencement of the onshore project Mozambique LNG (Mozambique) in 2020.
Discharges in bodies of surface water fell following lower consumption in the site in San Donato Milanese (Italy).
Discharges into the sea, which increased in the Group perimeter, are mainly due to operating activities in the onshore projects in Duqm (Oman) and Tangguh LNG Expansion (Indonesia) and in the offshore project of the Trans Adriatic Pipeline (Albania).

Location of main Saipem sites on map of water-stressed areas produced through the Aqueduct WRI system.




WATER WITHDRAWALS FROM WATER-STRESSED AREAS 2020 $(10^3 m^3)$




## Preserving the air quality

GRI 305-7

The Company policy of reducing GHG emissions has a strong impact on the reduction of air pollutants, as these are also caused by energy consumption. Saipem's methodology for estimating emissions includes the following pollutants: $NO_X$, $SO_2$, CO, $PM_{10}$ and NMVOC. The emission factors were updated during the last reviews of the calculation methodology. In particular, during the 2018 methodology update, the $NO_X$ and CO emission factors were significantly reduced, the NMVOC and $PM_{10}$ factors slightly increased and $SO_2$ factors remained constant, influencing the emissions trends between 2017 and 2018. The updating of the methodology in 2019 reflected the new regulations on the use of marine fuels, which consequently changed the emission factors: phase-out of Heavy Fuel Oil and Intermediate Fuel Oil starting from 2020 and introduction of new categories of fuels (Marine Gas Oil and Marine Fuel Oil, which are in turn categorised based on a sulphur content that is greater or less than 0.1%).
This update resulted in a sharp reduction in emissions of $SO_2$, mainly due to the large quantity of HFO (23 ktoe) consumed in 2019 by the vessels Saipem 7000, Castorone and DeHe. For the other pollutants, the emission levels follow the trends for energy consumption and are down slightly.

Polluting emissions are calculated using the following sources: EMEP/EEA Air Pollutant Emission Inventory Guidebook 2016 and IPCC Guidelines for National Greenhouse Gas Inventories 2006.

### Air pollutant emissions

| | 2018 | | 2019 | | 2020 | |
|---|---|---|---|---|---|---|
| (t) | Group total | Group consolidated | Group total | Group consolidated | Group total | Group consolidated |
| $NO_X$ | 15,899 | 15,648 | 16,536 | 16,338 | 13,338 | 12,326 |
| $SO_2$ | 5,045 | 4,958 | 6,514 | 6,483 | 571 | 545 |
| CO | 9,448 | 9,393 | 7,935 | 7,889 | 5,989 | 5,618 |
| NMVOC | 1,119 | 1,101 | 1,146 | 1,131 | 922 | 837 |
| $PM_{10}$ | 596 | 581 | 636 | 628 | 516 | 465 |

The energy efficiency interventions and processes described in section "Energy efficiency" also led to reductions in the emissions of other air pollutants, particularly $NO_X$ and CO. The reduction of $SO_2$ is lower, in line with the above considerations on fuels used since 2020.

### Reduction in pollutant emissions

| | 2018 | | 2019 | | 2020 | |
|---|---|---|---|---|---|---|
| (t) | Group total | Group consolidated | Group total | Group consolidated | Group total | Group consolidated |
| $NO_X$ | 50.1 | 36.2 | 257.8 | 257.2 | 319.9 | 316.7 |
| $SO_2$ | 15.2 | 13.1 | 111.3 | 111.2 | 15.4 | 15.4 |
| CO | 6.9 | 5.0 | 33.0 | 32.9 | 50.3 | 49.8 |
| NMVOC | 2.7 | 1.9 | 7.8 | 7.8 | 17.1 | 17.0 |
| $PM_{10}$ | 1.6 | 1.2 | 8.4 | 8.4 | 10.2 | 10.1 |

## Waste management

GRI 306-2

The Company adopts a responsible and specific waste management system based on the type of operating activity, which it also shares with the third party companies it operates with.
Waste management is tackled by applying a hierarchy of operations mainly aimed at minimising waste production through the use of appropriate procedures or technologies, re-using waste as material and recycling it after the most appropriate treatment.
Priority is given to hazardous waste in the context of action aimed at minimising waste generation. The Company promotes and implements measures, also through the research and development of new materials, which allow hazardous materials to be replaced with non-harmful alternatives.
Saipem ensures appropriate waste management though waste management procedures/plans at both operating company level and individual project and site level. In order to comply with its management standards, Saipem controls the traceability of waste within its sites and ensures that subcontractors do the same (e.g. through specific contractual requirements, inspections, audits, etc.).
We report a significant increase in waste exclusively for the Group perimeter (11% compared to 2019), while for the consolidated perimeter this was up 1% compared to 2019; this increase is mainly due to the increase in the category of recycled waste (hazardous and non-hazardous) in the onshore projects Moscow Refinery (Russia) and Nong Fab LNG Receiving Terminal (Thailand).
The reduction in waste disposed of in landfills in 2020 is connected to the introduction of the category "disposed of in other structure", which mainly includes discharged water disposed of legally as waste (non-hazardous or hazardous according to local law) in processing sites that are not included in other categories.

| (kt) | 2018 Group total | 2018 Group consolidated | 2019 Group total | 2019 Group consolidated | 2020 Group total | 2020 Group consolidated |
|---|---|---|---|---|---|---|
| **Total weight of waste produced, of which:** | **381.5** | **378.6** | **953.0** | **933.3** | **1,057.9** | **943.1** |
| - hazardous waste disposed of in landfill sites | 102.2 | 102.1 | 238.5 | 238.5 | 10.3 | 10.3 |
| - hazardous waste incinerated in external plants | 4.2 | 4.2 | 3.1 | 3.1 | 1.3 | 0.5 |
| - hazardous waste incinerated in Saipem plants (*) | - | - | - | - | 0.5 | 0.5 |
| - recycled hazardous waste | 3.5 | 3.4 | 11.1 | 11.0 | 13.9 | 13.8 |
| - hazardous waste disposed of in other structures | - | - | - | - | 215.6 | 182.4 |
| - non-hazardous waste disposed of in landfill sites | 188.3 | 188.2 | 638.2 | 623.6 | 321.0 | 279.4 |
| - non-hazardous waste incinerated in external plants | 2.7 | 2.7 | 2.2 | 2.2 | 0.6 | 0.3 |
| - non-hazardous waste incinerated in Saipem plants (*) | - | - | - | - | 1.4 | 1.4 |
| - recycled non-hazardous waste | 80.6 | 78.2 | 59.9 | 54.9 | 152.9 | 146.3 |
| - non-hazardous waste disposed of in other structures (**) | - | - | - | - | 340.4 | 308.1 |

All waste, with the exception of the incinerated category, is processed in plants that are external to the Company's sites.
(*) We report that, at present, no Saipem incineration site allows energy to be recovered.
(**) Category introduced in 2020.

# SOCIAL ASPECTS

## Social policies and management of social aspects

The Group operates in over 70 culturally and geographically different and distant countries often in contexts characterised by difficult situations and border issues and it takes into account the specific issues of each country when assessing social aspects linked to its activities.
For the social impacts linked to the operational projects it works on, Saipem bases its assessments on socio-economic impact studies and assessments normally produced by its clients or, where necessary and established contractually, developed internally. The operations in which Saipem has direct responsibility for the impacts generated at local level and the possibility to manage them concern the fabrication yards or proprietary logistic bases. In these cases, the Group identifies and assesses the potential effects of its activities on the social context in order to minimise their adverse impact and to define and implement specific activities and projects aimed at developing the local socio-economic context working with the identified local stakeholders.
In the countries where the Group's presence is medium-long term, Saipem has established a lasting relationship of mutual collaboration with the local stakeholders. Some significant examples are the collaborations with the university and school bodies, the representatives of local institutions, the non-governmental organisations active in the areas and the local bodies for the implementation of development programmes and the promotion of health.
In addition to that indicated in this document, Saipem provides a thorough description of the stakeholder engagement actions in a specific section ("Enduring relations") of the "Ready for the transition - Enabling a green future - Sustainability Report 2020". Saipem has always strived to minimise any adverse impacts on the territory and contribute to maximising positive impacts through the implementation of strategies aimed at promoting sustainable local development. The overall risk profile (including the social one) for every project is identified, analysed and monitored from the commercial phase. An important tool is listening to the demands of the local stakeholders, also by means of consolidated engagement processes. In particular, for the management of the negative impacts, the Company has drawn up a principle (Guidance on Grievance Management) for structuring a system to collect and manage the demands of the local communities in the operating situations where it is considered necessary or requested by the client. This process allows potential negative social impacts to be identified and managed or mitigated.
Different geographical realities and some of the most significant operational realities (e.g. Nigeria, Oman, Indonesia, Mozambique) have implemented these systems to guarantee effective communication with the communities.

| SOCIAL ASPECTS | CULTURE AND LIFE STYLES | DEMOGRAPHICS | WELL-BEING AND SOCIAL INFRASTRUCTURES | ECONOMIC IMPACT |
|---|---|---|---|---|
| **MAIN SOCIAL IMPACTS** | > Erosion of traditional values and local customs<br>> Increase in the social problems of some vulnerable population groups<br>> Discrimination and marginalisation of indigenous people<br>> Risk of conflict and local unrest | > Immigration due to the greater attractiveness of the geographical area of the site<br>> Emigration/relocation due to the traditional use of natural resources competing or conflicting with project activities | > Effect on local facilities and public health<br>> Effect on traffic and road safety<br>> Access to social infrastructures | > Increase in direct and indirect employment and in wage levels<br>> Increase in prices of goods and inflation rate<br>> Purchasing of local supplies and general boost in the local economy<br>> Changes in local economic structure<br>> Increase in dependency of the local economic system on a specific industrial sector |
| **POTENTIAL MITIGATION MEASURES** | > Cultural heritage protection plans<br>> Proper selection of security service providers<br>> Drug and alcohol testing of the workforce<br>> Cultural awareness sessions and human rights training programmes for employees | > Transparent recruitment strategies<br>> Management of local expectations | > Health promotion initiatives<br>> Safe driving awareness sessions | > Transparent recruitment and sourcing strategy |
| **TOOLS ADOPTED** | **Stakeholder consultation, community grievance mechanism and community relations plans** | | | |

| Context analysis | Identification and evaluation of potential impacts | Planning and implementation of mitigation measures |
|---|---|---|
| Analysis of the socio-political, cultural and economic conditions of the area interested by the proj ect. | Identification and subsequent evaluation of impacts which may occur during the entire life of the proj ect.<br>The impacts can be classified as:<br>> direct impacts: that are a direct result of proj ect activities;<br>> indirect impacts: that result from other developments or activities that would only occur as a result of the proj ect. | The purpose of adopting mitigation measures is to remove, minimise and/or compensate residual adverse effects to a reasonably feasible extent.<br>Mitigation measures could consist of integrating proposed actions into the design of the proj ect, changing or adding technical or managerial aspects.<br>Mitigation actions could include activities to be implemented both within the proj ect site and in neighbouring areas. |
| **STAKEHOLDER ENGAGEMENT PROCESS** | | |

## RISKS COVERED BY ITALIAN LEGISLATIVE DECREE NO. 254/2016: SOCIAL ASPECTS

| Saipem material topic | Risks identified by the Company | Summary of adopted risk mitigation measures |
|---|---|---|
| Management of an ethical supply chain | Fraud, corruption, lack of transparency, loss of confidential information and data, non-compliance with procedures and regulations. | Saipem has put in place a solid and effective whistleblowing system for discouraging, detecting, investigating and reporting any illegal behaviour in the Company. Moreover, Saipem updates its Organisation, management and control model pursuant to Italian Legislative Decree No. 231/2001 (hereinafter, "Model 231"), which is aimed at preventing the commission of the crimes sanctioned by this decree; "Model 231" includes the Saipem Code of Ethics, which contains the set of rights, duties and responsibilities addressed to Model recipients. In addition, Saipem is engaged in training activities on ethical issues, including anti-corruption, and on updates to "Model 231". The Company has developed an anti-corruption management system that obtained certification of compliance with the international standard ISO 37001 in 2018. Lastly, the Group has a monitoring and control system in place for vendors who may engage in fraudulent activities, possibly evaluating their suspension. |

## Relations with the local context

Saipem is committed to establishing relations with its local stakeholders based on correctness and transparency in order to pursue concrete shared objectives for sustainable development. This is achieved by strengthening mutual trust, seeking dialogue and promoting the right conditions in order to establish lasting cooperation in the countries where the Company operates.
Wherever it works, Saipem contributes to the social and economic life of the territory, also and not only in terms of local employment and creation of value. Saipem's relations with local stakeholders therefore depend on the type of operating presence in each particular area. This presence is divided between: long-term presence where the Company owns fabrication yards or other operating structures that allow complex relations and partnerships with various local stakeholders or their representatives to be established; and short/mid-term presence where Saipem is involved in a specific project within set contract deadlines and, as a result, participates in more targeted and short-term sustainable development initiatives.
Saipem's involvement and dialogue with local stakeholders therefore depends on the type of presence in each particular area, contract requirements set by clients on projects and the partners with which the Company operates, as well as the characteristics and social composition of the relevant context.
Where Saipem intends to create new, long-term work sites, it carries out specific assessments designed to analyse the potential effects of its activities on the local socio-economic context. To do so, it uses instruments including the ESIA (Environmental Social Impact Assessment), after which the Company defines action plans to manage the impacts generated for local communities and the engagement of stakeholders. To support this process, Saipem has implemented specific tools for analysing the local context and for the identification and analysis of the main stakeholders for the purpose of defining intervention plans.
In operating projects, Saipem supports the client's activities, in line with contract requests and the requirements the latter received and/or agreed with local authorities through specific studies such as EIA (Environmental Impact Assessment) or, as mentioned above, ESIA.

## Local presence

For Saipem, local presence means purchasing goods and services from local vendors, creating employment at a local level and developing the know-how of the local personnel and vendors, strengthening their technological and managerial skill. In this way Saipem contributes to creating development opportunities for the people and companies in the communities where it operates. Saipem's presence is also characterised by a commitment to developing and maintaining a continuous relationship with local communities, clients and vendors making it possible to obtain benefits also in terms of reductions in overall project costs and the overall risk profile associated with operational activities.
In addition, Saipem has internally developed a model (SELCE, "Saipem Externalities Local Content Evaluation") to quantify the value of its presence in the local territory in economic, employment and growth of human capital terms.
The SELCE model was validated in 2015 by Nomisma Energia in its application to the Italian context.

GRI 202-2

### Local employment

| | 2018 | | 2019 | | 2020 | |
|---|---|---|---|---|---|---|
| (%) | Group total | Group consolidated | Group total | Group consolidated | Group total | Group consolidated |
| Local employees | 73 | 71 | 74 | 71 | 79 | 76 |
| Local managers | 45 | 44 | 44 | 43 | 49 | 48 |

An employee is considered local if he/she works in the country where he/she was hired. Local managers include both middle and senior managers. Given the large number of employees in the two headquarters in Italy and France, the percentage of local managers is calculated excluding the data for these two countries, in order to provide an effective representation of the Company's commitments in the countries where it operates.

## A sustainable supply chain

GRI 308-1
GRI 412-2
GRI 412-3
GRI 414-1

Saipem's business is characterised by a highly complex global supply chain, covering different geographical areas and different industrial sectors. Today Saipem has almost 24,000 qualified vendors, about 7,000 of whom were qualified in 2020. During the year, purchases were mainly made by vendor is situated in Sub-Saharan Africa, the Far East and Europe.
In over 60 years of business in numerous countries in the world, Saipem has created a consistent and profitable network of partners and vendors; almost 6,000 vendors have worked with Saipem for at least 10 years.
The vendor management system was structured to guarantee that they have proven technical and operational skills, but also that they share Saipem's values and policies. For this purpose, some sustainability

elements to analyse and monitor in the various phases of the vendor management system have been identified; these elements include ethical behaviour, respect for human and labour rights, including the protection of the health and safety of workers, and environmental protection.
First of all Saipem's vendors are bound to comply with the principles that are an integral part of the Code of Ethics, and respect human rights in conformity with the Saipem sustainability policy, as required in the contractual clauses laid down in all contracts. Vendors are responsible for managing risks in their operations, and we demand that, in turn, they require the same principles and standards from their own vendors. In this way, we aim to guarantee safe and fair working conditions and the responsible management of environmental and social aspects throughout the procurement chain.

During the qualification process, the analysis of vendor information is the first step for knowing and understanding their capacities. This phase involves the gathering of data and information, as well as the vendor's documentation, to evaluate:
- their technical and managerial skills, including their alignment with quality standards;
- their financial, reputational and ethical reliability;
- their ability to manage sustainability issues.

The level of risk linked to sustainability issues is determined by the country of origin of each vendor and the industrial sector and/or criticality of the supply. The vendors identified with a high sustainability risk level are subject to more in-depth investigations.
In particular, depending on the type of goods or services offered, vendors are subjected to a Counterparty Risk Assessment ("VERC"), aiming also to verify their ethical conduct in terms of anti-corruption, unlawful conduct and human rights, as well as any other aspect which could directly damage the reputation of the vendor, and indirectly the reputation of Saipem. The VERC is performed by analysing the key characteristics of the counterparty, with particular attention to economic-financial, ethical/reputational aspects and ownership. The counterparty risk assessment on vendors or potential vendors is usually done by checks that do not involve contacts with the counterparty, gathering available information from specialised third-party sources. The VERC may be performed not only at the start of the qualification activity, but also during the contract award phase or during the performance of periodic inspections, where foreseen.
In 2020, the number of "VERC" drafted during the course of the qualification processes that were managed during the course of the year amount to 4,645.

Furthermore, depending on the level of risk of exposure to problems linked to human rights and/or health and safety and environmental management aspects, vendors are assessed by analysing the documents provided during qualification, to check compliance with the Saipem principles and the vendor's ability to manage these issues. In 2020, 585 suppliers were assessed on HSE issues and 504 were assessed on labour law issues.

Depending on the level of sustainability risk, the vendors subjected to qualification audits may also be assessed on specific sustainability aspects, including labour rights, health and safety and environmental protection. During the course of 2020, including as a result of the pandemic, it was not possible to carry out a significant number of audits with vendors – a single audit was carried out on a vendor in the United Arab Emirates on issues relating to workers' rights. Moreover, a desktop audit was carried out on 10 subcontractors in Nigeria, through an ad hoc questionnaire, based on international standards (such as the ILO convention) and inspired by the principles on the well-being of workers established by the Building Responsibly Initiative. The responses and the respective documentation were collected and analysed. The results did not highlight any particular criticalities, with a general alignment of subcontractors towards reference standards. In certain cases, to complete the assessment, additional supporting documentation was requested.

During the offer and contract execution phases, further controls are performed, including a counterparty risk assessment according to the total value of the supply. For goods and services deemed to be of high risk of health, safety and environment issues (HSE), specific assessments are carried out to check the vendor's ability to perform the contract in accordance with the relative international and Saipem standards and on the capacity to manage HSE aspects.
Furthermore, the contractual conditions applied to all vendors and all types of purchasing include specific requirements that oblige the vendor to strictly comply with the Saipem Code of Ethics and to respect human rights.

In order to share the ethical principles, inform and train vendors on the Saipem standards and requirements and how they should align to these, Saipem organises specific events, meetings or forums for vendors, both prior to qualification and during the execution of the contracts.
Periodic training sessions with vendors are also organised to discuss HSE issues. More information is available in the chapter "Generating shared value" of the 2020 Sustainability Report "Ready for the transition - Enabling a green future".

Vendor performance and compliance with contractual provisions are constantly monitored: all the Saipem functions involved in the various phases of the procurement chain management system are bound to provide feedback on the conduct of vendors, including on sustainability aspects, such as any incidents occurring during the execution of the work, conformity with local HSE or labour legislation, or evidence collected during site inspections and audits.
The feedback received guarantees the assessment of the vendor's overall reliability and, in the case of serious situations recorded, the possibility to terminate the contract or suspend the vendor's qualification. During the course of 2020, 2,485 feedback questionnaires were completed on vendor performances, of which 65% were positive.

**DIAGRAM OF KEY PROCESSES AND INSTRUMENTS IMPLEMENTED TO MANAGE SUSTAINABILITY ISSUES IN THE PROCUREMENT CHAIN**

**QUALIFICATION**
> Risk profiling
> Counterparty risk assessment
> Qualification questionnaire
> Audit

**EXECUTION OF THE CONTRACT**
> Contractual provisions and regulations
> Site inspections and audits
> Events and forums

**FEEDBACK**
> Feedback questionnaires

| | | 2018 | 2019 | 2020 |
|---|---|---|---|---|
| Active vendors | (No.) | 23,845 | 23,871 | 23,696 |
| Qualified vendors | (No.) | 7,026 | 7,721 | 6,859 |
| Vendors qualified in the year working in countries with a high risk of human and labour rights breaches | (%) | 40 | 35 | 37 |
| New vendors assessed on labour law issues (*) | (No.) | 174 | 182 | 504 |
| Vendors qualifying in the year for activities considered at HSE risk | (%) | 7 | 7 | 9 |
| Vendors assessed on HSE issues | (No.) | 466 | 574 | 585 |
| Qualification audits, of which: | (No.) | 28 | 27 | 11 |
| - on human and labour rights | (No.) | 10 | 8 | 1 |

It must be stated that the numbers in the table are representative both for the total perimeter of the Group and the consolidation perimeter, because a vendor qualified at corporate level can potentially work with all the entities in the Group.
(*) Only includes vendors with qualification processes for strategic product categories.

# SAFEGUARDING THE HEALTH AND SAFETY OF PEOPLE

GRI 403-1
GRI 403-7

The safety of all Saipem personnel is a priority and strategic objective for the Company. This commitment is an essential pillar of the HSE Policy of Saipem SpA and the policy "Integrity in our operations".
The safety of people is constantly monitored and guaranteed through an integrated health, safety and environment management system, which meets the international standards and current legislation. In 2020, following the periodic audit by the third-party certification body, the ISO 45001 and ISO 14001 certifications were renewed for Saipem SpA and all the most significant Group companies, with a coverage of 98% for the consolidated perimeter (82% for the Group perimeter), of company employees and agency workers, excluding subcontractors, as a guarantees of the homogeneous and systematic approach to the management of processes.

## People safety

GRI 403-2
GRI 403-4
GRI 403-5
GRI 403-9
SASB
EM-SV-320A.1
EM-SV-320A.2

Every year Saipem defines a corporate, division and operational company safety objectives plan, approved respectively by the CEO, the Division Managers and the Managing Directors of the operational companies. The incentive plans for the senior managers for the areas under their responsibility are linked to the achievement of these objectives. Further details can be found in the "Report on the Remuneration Policy and Paid Compensation 2020".
For the year 2021, these goals include:
- ensure in a continual manner the identification of the hazards and the assessment of the risks associated with the safety of personnel, vendors and other people involved in the Company's activities, as well as the risks for the company assets;
- guarantee the adequate assessment of the risks attributable to interference between the activities contracted to the vendors operating on Saipem structures or sites;
- guarantee a continual process of HSE training for staff. This process can be broken down into several phases: updating the HSE training protocol (which identifies the training needs based on professional roles),

definition and standardisation of the courses on a dedicated platform, provision of the courses, monitoring and reporting on the training activities;
- the consistent application of preventive and protective measures that are suitable for guaranteeing the health and safety of people and the integrity and efficiency of assets;
- follow-up and control activities on the effectiveness of prevention and the respective measures that are implemented;
- reporting, registration, analysis and investigation activities for accidents and near misses;
- consolidation and analysis of safety performance.

The Company carries out internal audits regarding HSE on: HSE management system, compliance with the HSE legislative provisions. These audits, more than 190 in 2020, involved operating companies, operational sites (including the fleet) and subcontractors.

Promoting the safety culture of workers is facilitated in the Company's sector by both the reference regulatory framework, characterised by laws and agreements at national and company level, and by an internal environment characterised by specific policies on health and safety.
These internal policies set particularly stringent criteria compared to several local contexts, which today still have regulatory systems in the process of development. With regard to national agreements, not all countries in which Saipem operates have trade unions at both national and local level.
Where specific agreements are in place between trade unions and Saipem, they can include the following on safety:
- setting up workers H&S committees (composition and number);
- specific training for safety officers (responsible company figures and employee representatives) and grassroots information on safety matters to all employees, with particular reference to courses on Health and Safety at Work, Fire Fighting courses, First Aid courses, mandatory "Special Operations" courses (Onshore-Offshore);
- regular meetings between the company and workers' representatives.

In Italy, the National Collective Agreement provides for the appointment of corporate representatives of the workers for their protection in the areas of health, safety and environment (RLSA). The appointment is by election, based on the provisions of law and the bargaining contract. There are a total of 19 RLSAs at the Saipem Italian offices. A specific trade union agreement signed by Saipem and the Trade Union Organisations defines the duties of RLSAs and their full authority to carry out their activities also for workers assigned temporarily to activities at yards and sites other than those of origin.
It should also be noted the presence of institutes in foreign countries, where participation is shared between management and the workforce for the management of initiatives and programmes regarding health and safety in accordance with the reference regulations in different countries. Among these are the Saipem Group entities operating in Algeria, Angola, Bolivia, Brazil, Canada, Colombia, Congo, Croatia, Ecuador, France, Indonesia, Malaysia, Mexico, Norway, Peru, Romania, United Kingdom and Venezuela.

The Company has launched several awareness campaigns over the years with the purpose of spreading a deeper and more entrenched safety culture.
To significantly reduce the alarming phenomenon of road accidents occurring on sites and in work areas or on the journey to and from work, in 2019 Saipem launched a new road safety campaign – *Belt Up or Get Out* –, also continued in 2020 to guarantee that vehicle drivers and passengers have a safe journey every time.

## Leadership in safety and HSE culture

Over time Saipem has put in place training programmes and informational tools to support the development of its safety leaders and promote safety values throughout the Group, which are collected in the "Leadership in Health and Safety" (LiHS) programme. The LiHS programme is designed to guarantee a solid culture of safety in the organisation, by promoting safe conduct and a strong focus on the development on safety leadership at all levels of the organisation. LiHS is a multi-phase top-down/bottom-up programme that is accessible to the entire organisation.
In 2020, the development of online tools was launched to make LiHS even more accessible throughout the entire organisation, especially in consideration of extreme operating areas.
The programme, which continues to be praised by clients, partners and contractors, was significantly limited during 2020 because of specific behavioural protocols, but this situation also enabled a transformation process to be introduced for the LiHS Workshop, with an online experience that is equally strong and effective and which is currently fully operational thanks to the adoption of videoconferencing tools and innovative features for promoting engagement and interaction in participants even during remote sessions.

To assess the level of leadership in safety and identify the necessary actions for supporting the continual growth of safety culture in the company's management, in 2020 a questionnaire was submitted to a target of

4,642 Saipem managers (participation rate of 50%). The Safety Leadership Questionnaire, that was developed in collaboration with ICSI (Institute for Industrial Safety Culture), is based on seven key elements underlying the Leadership in Health & Safety (LiHS) workshop and confirmed a very safety commitment level.

Since 2015, Saipem uses the Life-Saving Rules as an internal communication tool on safety.
In August 2018, the International Association of Oil & Gas Producers (IOGP) issued an updated version of the Life-Saving Rules (Report Number 459, V-3.0), that were implemented within an internal update programme for the respective material for the launch of a renewed Saipem Life-Saving Rules campaign (June 2020). The 18 rules defined by the organisation in 2015 were simplified and reduced to 9 and were rephrased with a language closer to that of its recipients to highlight even more clearly the actions that must be taken to respect each rule. To support monitoring of the adoption of the rules, the Management Walkabout tool is used and a new e-Learning tool, the LSR, was created.

## Raising awareness and information on the pandemic

In collaboration with the Italian Health authorities, in the first weeks of the pandemic in 2020, Saipem promptly developed an awareness-raising campaign for employees on the risks linked to the spread of the Coronavirus and the promotion of good practices to limit its spread. At the start of the period when staff returned to the workplaces after working remotely, a specific awareness-raising campaign was produced on measures and suitable conduct to be adopted in working environments, and support was provided to help staff deal with stress and increase their mental resilience. The course, which is developed in three informational modules, was developed as an e-learning course. The 3 modules (each with a duration of 15 minutes) represent interactive learning programmes and each one covers a specific area: Basic Information on COVID-19, with a particular focus on individual knowledge and the acquisition of correct information; the return to the office and how to follow the Saipem procedures on safety; supporting and increasing mental resilience to adapt to the new working and living conditions.

## HSE training

The training on health, safety and the environment is an important part of the implementation of the HSE system in Saipem's central headquarters and operating sites. All the HSE training activities are critical preventive actions for reducing risks.
To guarantee the continual improvement of training provided by the team of internal Saipem trainers, in 2020 a new HSE course "Train the Trainer" was created that can also be provided in virtual environments using videoconferencing and proprietary tools to enable participants to actively participate even from remote locations.
Once completed, the course enables trainers to receive a professional certification from an external accreditation body.
The "Train the Trainer" programme is part of a broader programme of exchange of competencies between Saipem Mozambique and the Instituto de Formação Profissional e Estudos Laborais Alberto Cassimo (IFPELAC). The exchange was subject to a Memorandum of Understanding (MoU) for jointly developing professional training programmes dedicated to young Mozambicans in the province of Capo Delgado. The key objectives are to increase the knowledge of participants on internal HSE training resources, as well as HSE registration and reporting processes. 4 sessions of the programme have been completed, Including a session conducted in the training centre in Schiedam in the Netherlands in February (before the outbreak of the pandemic), which was followed by an online session for staff in Mozambique in July and another two sessions that were open to the entire global network of professional trainers in November and December 2020.

During the year, Saipem continued to invest significant resources in training its staff on HSE issues through campaigns and ad hoc programmes, in order to increase workers' awareness of the risks associated with work activities.
In 2020, safety performance improved, recording a TRIFR of 0.36 (compared to 0.54 in 2019). It should be noted that this improvement is attributable to the constant and continual commitment of all individuals involved, both within and outside the HSE professional sector. Unfortunately, in 2020 there were two fatal accidents involving Saipem subcontractors in Thailand and Saudi Arabia, which took place during construction activities for a dock for a LNG plant and during radiographic inspections at a gas plant respectively. In-depth investigations have been carried out to identify the causes of these accidents and appropriate actions have been implemented in order to minimise the possibility of recurrence.

**SAFETY INDICATORS: DEFINITIONS AND CALCULATION METHODS**
**LTI (Lost Time Injury)**: any work-related injury that renders the injured person temporarily unable to perform any regular job or restricted work on any day/shift after the day or shift on which the injury occurred. LTI include fatal accidents, permanent total disability, permanent partial disability and temporary total disability.
**WRC (Work Restricted Case)**: any injury at work, with the exception of deaths or lost work days, which makes the person unfit for performing all his/her activities fully in the days after the injury at work. In this case, the injured person is temporarily assigned to other duties or exempted from some parts of his/her normal duties. The maximum limitation time can be 30 days. If the limitation exceeds 30 days, the injury must be classified as LTI.
**TRI (Total Recordable Incidents)**: the sum of LTI, WRC and medical treatment cases: TRI = LTI+WRC+MTC.
**TRIFR (Total Recordable Incident Frequency Rate)**: calculated as (No. of TRI per hours worked) x 1,000,000.
**FTLFR (Fatal Accident Frequency Rate)**: calculated as (No. of fatal accidents per hours worked) x 1,000,000,000.
**LTIFR (LTI Frequency Rate)**: calculated as (No. of LTI per hours worked) x 1,000,000.
**Lost days of work**: the total number of calendar days in which the injured person was not able to do his/her job as a result of an LTI. The calculation for the lost days starts from the day after an accident until the day when the person is capable of returning to work. The calculation does not include fatal accidents.
**SR (Severity Rate)**: calculated as (No. of lost days of work per hours worked) x 1,000.
**High-consequence work-related injury**: injury with more than 180 lost days of work.
**High-consequence work-related injuries Frequency Rate**: calculated as (No. of high-consequence work-related injuries per hours worked) x 1,000,000.
**Absenteeism rate of employees**: calculated as the ratio between the number of total hours of absence and the number of total annual theoretical working hours. The annual theoretical working hours are calculated proportionately to the number of staff at December 31.

| | | 2018 | | 2019 | | 2020 | |
|---|---|---|---|---|---|---|---|
| | | Group total | Group consolidated | Group total | Group consolidated | Group total | Group consolidated |
| **Man-hours worked** | | | | | | | |
| Total, of which: | (millions of hours) | 272.5 | 268.4 | 235.0 | 228.2 | 206.3 | 186.6 |
| Man-hours employees | (millions of hours) | 93.3 | 89.9 | 87.6 | 82.3 | 83.5 | 72.5 |
| Man-hours subcontractors | (millions of hours) | 179.1 | 178.5 | 147.4 | 145.9 | 122.9 | 114.1 |
| **Accidents with days lost (LTI)** | | | | | | | |
| Total, of which: | (No.) | 36 | 36 | 51 | 47 | 26 | 23 |
| Employees | (No.) | 17 | 17 | 42 | 38 | 16 | 14 |
| Subcontractors | (No.) | 19 | 19 | 9 | 9 | 10 | 9 |
| Of which fatal accidents: | (No.) | | | | | | |
| Total, of which: | (No.) | 4 | 4 | 3 | 3 | 2 | 2 |
| Employees | (No.) | - | - | 3 | 3 | - | - |
| Subcontractors | (No.) | 4 | 4 | - | - | 2 | 2 |
| **Injuries in the workplace with serious consequences** [(a)] | | | | | | | |
| Total, of which: | (No.) | 1 | 1 | 11 | 11 | 3 | 2 |
| Employees | (No.) | 1 | 1 | 9 | 9 | 1 | 1 |
| Subcontractors | (No.) | - | - | 2 | 2 | 2 | 1 |
| Of which with disabilities: | | | | | | | |
| Total, of which: | (No.) | | | | | 3 | 2 |
| Employees | (No.) | | | | | 1 | 1 |
| Subcontractors | (No.) | | | | | 2 | 1 |
| **Days lost** [(a)] | | | | | | | |
| Total, of which: | (No.) | 1,280 | 1,280 | 6,696 | 6,406 | 891 | 833 |
| Employees | (No.) | 572 | 572 | 5.828 | 5.538 | 576 | 537 |
| Subcontractors | (No.) | 708 | 708 | 868 | 868 | 315 | 296 |
| **Severity Rate** [(a)] | | | | | | | |
| Total, of which: | (ratio) | 0.005 | 0.005 | 0.028 | 0.029 | 0.004 | 0.004 |
| Employees | (ratio) | 0.006 | 0.006 | 0.067 | 0.067 | 0.007 | 0.007 |
| Subcontractors | (ratio) | 0.004 | 0.004 | 0.006 | 0.006 | 0.003 | 0.003 |
| **Recordable accidental events (TRI)** | | | | | | | |
| Total, of which: | (No.) | 120 | 118 | 127 | 123 | 75 | 68 |
| Employees | (No.) | 57 | 55 | 83 | 79 | 38 | 35 |
| Subcontractors | (No.) | 63 | 63 | 44 | 44 | 37 | 33 |
| **Employee absenteeism rate** [(b)] | (%) | 4.0 | 3.9 | 3.10 | 3.27 | 3.98 | 4.03 |
| **Fatal Accident Frequency Rate (FTLFR)** | | | | | | | |
| Total, of which: | (ratio) | 1.47 | 1.49 | 1.28 | 1.31 | 0.97 | 1.07 |
| Employees | (ratio) | - | - | 3.43 | 3.65 | - | - |
| Subcontractors | (ratio) | 2.23 | 2.24 | - | - | 1.63 | 1.75 |
| **Accident frequency index (LTIFR)** | | | | | | | |
| Total, of which: | (ratio) | 0.13 | 0.13 | 0.22 | 0.21 | 0.13 | 0.12 |
| Employees | (ratio) | 0.18 | 0.19 | 0.48 | 0.46 | 0.19 | 0.19 |
| Subcontractors | (ratio) | 0.11 | 0.11 | 0.06 | 0.06 | 0.08 | 0.08 |
| **High-consequence work-related injuries Frequency Rate (HCWRFR)** | | | | | | | |
| Total, of which: | (ratio) | 0.004 | 0.004 | 0.047 | 0.048 | 0.015 | 0.011 |
| Employees | (ratio) | 0.011 | 0.011 | 0.103 | 0.109 | 0.012 | 0.014 |
| Subcontractors | (ratio) | - | - | 0.014 | 0.014 | 0.016 | 0.009 |
| **Total Recordable Incident Frequency Rate (TRIFR)** | | | | | | | |
| Total, of which: | (ratio) | 0.44 | 0.44 | 0.54 | 0.54 | 0.36 | 0.36 |
| Employees | (ratio) | 0.61 | 0.61 | 0.95 | 0.96 | 0.46 | 0.48 |
| Subcontractors | (ratio) | 0.35 | 0.35 | 0.30 | 0.30 | 0.30 | 0.29 |

(a) Data updated in consideration of the number of days lost calculated during 2020 for accidents which occurred in 2019 and after excluding fatal accidents.
(b) The consolidated perimeter of the absenteeism rate includes all the companies in the consolidated perimeter with the exception of: Saipem (Nigeria) Ltd, Sonsub International Pty, Andromeda Consultoria Tecnica e Representações Ltda, Snamprogetti Netherlands BV, Snamprogetti Engineering BV, Sofresid SA, Saipem Offshore México SA de Cv, Saipon Snc, Sajer Iraq Co for Petroleum Services, Trading, General Contracting & Transport Llc, Saipem Ingenieria y Construcciones SLU, Denuke Scarl, Saipem Drilling Llc, European Maritime Construction SAS, Saudi International Energy Services Ltd Co, Saipem Guyana Inc. Il perimetro di Gruppo include, oltre che tutte le società del suddetto perimetro consolidato, anche, ASG Scarl, KWANDA Suporte Logistico Lda, Petromar Lda, Charville - Consultores e Serviços Lda, Saipem Taqa Al Rushaid Fabricators Co Ltd, Saipem Contracting Netherlands BV, TSGI Mühendislik Insaat Ltd Sirketi, Saren BV, CCS JV Scarl, Gydan LNG Snc, Novarctic Snc.

The first fatal accident took place in Thailand on January 9, 2020 during the installation activities of a temporary support for formworks for the construction of a dock for a LNG plant. During the removal of a work platform, using a crane on board a barge, because of the swell, the suspended platform struck a beam positioned above it, causing this to be lifted from the foundation piles it was positioned against and fall into the sea at a depth of

approximately 4 m. The victim, who was working on the beam and attached to the temporary railing with a safety harness, fell into the sea with the beam. The emergency team was immediately engaged and the victim was recovered in about four minutes. The rescue team tried to resuscitate the victim during the transfer from the site to the nearest hospital. The resuscitation attempts continued in the hospital but were unsuccessful. In parallel to the activation of the rescue services, an internal investigation was performed, involving the subcontractor, in order to identify the causes of the event, learn lessons and ensure that these accidents cannot happen again. The direct cause of the accident is linked to the inappropriate attachment of the beam the worker was on to the foundation piles. The investigation highlighted various factors that had not worked correctly, such as unsuitable operating procedures, risk assessment and communication between the various working groups and a lack of supervision.
Various corrective actions were identified by Saipem at both the project level and Division level to assess alternative technical solutions for the installation of dock elements and improve supervision and communication between working groups.

The second fatal accident occurred in Saudi Arabia on October 18, 2020, when a technician for a sub-subcontractor involved in radiographic inspections went inside a pipe section of 30" of the plant under construction. This type of activity is carried out at the end of the working hours after all other workers have left the site. Another two workers were in the work area (a supervisor and another Non-Destructive Testing (NDT) technician). A few minutes after the technician had entered the pipe, the two colleagues at the exterior contacted a third colleague when they received no response from their colleague inside the pipe. When the third colleague reached the work position, the emergency team was activated. The emergency team proceeded with the recovery activities by inserting an air blower at the end of the pipe and, at the same time, opened a hole to blow in oxygen near the worker's position. Subsequently, a coupling was cut to recover the technician who had unfortunately already died.

Even in this case an internal investigation was launched with the support of the subcontractor which revealed that the direct cause of the accident was linked to a deliberate breach by the worker of the procedure for entering confined areas. During the investigation phase, additional criticalities emerged with regard to the work supervision and poor risk assessment. Various corrective actions were identified and implemented to avoid a recurrence of similar accidents. The accident was also shared with all other workers in order to increase awareness on the importance of precisely following procedures for entering confined areas.

## Asset integrity

Saipem strongly pursues the effective implementation of its asset integrity management system as an outcome of good design, construction and operating practices adopting the integrated management of barriers to reduce the risks associated with Major Accident Events (MAE).
Asset integrity refers to the prevention and control of the events with very low frequency and high/severe consequences on people, the environment, assets or project performance.
A dedicated team has been set up to develop an asset integrity management system model in line with the best industrial practices.
The asset integrity model follows a typical Deming cycle: planning, operations, performance monitoring and continuous improvement.
Saipem undertakes to prevent risks to improve the integrity of its operations. For this purpose, it adopts a proactive approach in the mitigation of risks as an integral part of its management and business activities.
More information is available in the "Growing the leaders of the future" chapter of the 2020 Sustainability Report "Ready for the transition - Enabling a green future".

## Employee health

GRI 403-3
GRI 403-6
GRI 403-10

As described in the Policy "Integrity in our operations", Saipem considers the safeguard of health and the promotion of the physical and mental well-being of its people as a fundamental requirement.
This is essential in the modus operandi of Saipem which is committed to being leader in the safeguard of health, as well as safety and the environment (further details can be found in the HSE Policy of Saipem SpA).
The Company pursues this commitment in compliance with the provisions on the protection of privacy and the national and international laws on the safeguard of health and the prevention of diseases. Its implementation implies that the health promotion programme for each work site focuses mainly on preventive measures, and considers all the operations which may represent a risk for employee health when performed.
Activities implemented include, for example, an assessment of the health risks, check-ups for the issue of fitness certificates, vaccinations and chemoprophylaxis, health information, monitoring of the hygiene/sanitary conditions, programmes for the prevention of diseases and activities to promote health and physical activity.
The Company's operating activities require the movement of a considerable number of people, even to remote locations. For this reason the Company ensures workers the best possible medical assistance wherever they

work, organises regular specific medical examinations and prepares medical fitness certificates, as well as delivers training programmes to assigned personnel before undertaking any travel or being assigned abroad. This is to prevent risks of contracting diseases due to the effect of the climate or environmental and other factors linked to the place of destination.
The Group is equipped with structured processes and a chain of well-defined responsibilities to promptly manage any medical emergency whatsoever.
Saipem has developed a continually evolving health management system, which is adapted to the work environments, integrates the most recent epidemiological studies and is designed to ensure the best health monitoring and medical services.
This system observes the principles recognised at international level and by local laws: the WHO (World Health Organization) Beijing Declaration, "Global Strategy on Occupational Health for All" (1994), European legislation and Directive 2000/54/EC on the protection of workers from risks related to exposure to biological agents at work, its application in Italy through Legislative Decree No. 81/2008 and its amendments (the so-called "Consolidated Act on Occupational Health and Safety"). This approach ensures effectiveness, flexibility and adequate bases for the development of a long-term health culture in all the countries where the Company operates.
For each site/project/asset, the management system requires that the risks linked to the health of personnel are identified and assessed (taking into consideration the frequency and potential impact), after which suitable preventive and mitigation measures are identified and implemented. These measures must be periodically monitored.
The general principles for the safeguard of health are based on the analysis of the activities carried out in the work environment and take into consideration the risks that those activities pose for both the people involved in the operations in different capacities and the local community.
The analyses carried out are specific to each task and destination and involve the identification of the activities and operating conditions in relation to the normal, abnormal and emergency working conditions; the analysis of the potential routes of contact of risk agents and their combined action and an accurate association of the hazards to the task, in relation to the specific nature of the activities identified. The results of the analyses allow the personnel to be suitably equipped and appropriately monitored.

| | | 2018 | | 2019 | | 2020 | |
|---|---|---|---|---|---|---|---|
| | | Group total | Group consolidated | Group total | Group consolidated | Group total | Group consolidated |
| Occupational diseases reported | (No.) | 7 | 7 | 6 | 6 | 15 | 10 |

## Occupational Health and Medicine

2020 saw the full and complete involvement of the medical service in the health management of the pandemic for the purpose of mitigating the impact of stress in the company, protecting the health of workers and ensuring the continuity of worldwide health services and more generally the continuity of the company's business.

Ensuring that workplaces are safe and healthy is a fundamental objective for limiting the spread of the virus and protecting the health of workers and the general population. Past experiences with epidemics that have periodically affected the countries in which Saipem operates (SARS in the Middle East, MERS in Saudi Arabia, bird flu in China and Ebola in Africa, etc.) have confirmed the importance of acquiring and understanding models for the spread of these illnesses in order to implement effective mitigation and prevention measures:
- continual monitoring of the development of the pandemic as an essential aspect pursued through the establishment of a health Task Force reporting directly to the Medical Officer, who is a member of the company Crisis Unit;
- prompt sharing of health and operating information through the publication of a regular bulletin on the development and status of the pandemic;
- consolidated and fully operational pre-travel Health & Secur information system for all Saipem staff due to operate abroad, supplemented by obligatory COVID-19 information for travelling staff;
- suitable assessment of risks adopted through the preparation of specific company documents and respective risk matrices based on geographical areas of the world;
- identify and manage "fragile" and "vulnerable" workers;
- institutional relations with the Civil Protection service assisting the help/support programmes for public national health departments. Technical and scientific verification of all the material donated;
- continual contact with National Health Ministries, the WHO, CDC and regional ATS/ASL for all provisions pertaining to Italian and foreign employees in Italy and abroad;
- creation of activities for monitoring the spread of the pandemic amongst Saipem employees through serology tests, first, and rapid antigen swab tests, later, thanks to the acquisition of scientifically advanced tools that were adopted and distributed in Saipem's operating sites. A total of 1,511 resources took part in the serology test campaigns, while 1,284 rapid antigen swabs were conducted. This scientific project

between Saipem and Lumiradx for rapid antigen swabs was handled as a Diagnostic Point of Care in terms of every scientific step in the validation and issuance phases. The characteristic is that it is practical, easy to use and multi-parametric. Once the COVID emergency is over, the project can be used for other very important diagnostic activities;
- the collaboration with the Humanitas Research Hospital enabled the health information and promotion activity to be extended via the publication of the weekly newsletter on Science and Medicine issues of common interest, sent to our colleagues directly through registration to a mailing list with a focus on the ongoing pandemic;
- posturology project, promotion of well-being in the company through "Healthy workplaces: a model for action" enable the publication of 12 short videos as support to physical activity for colleagues forced to work from their homes during lockdowns;
- Saipem's decade-long experience in using telemedicine helped in the use of IT and remote telecommunication for achieving our objectives and allowed us to continue our coordination, control and monitoring activities and provide health support to our divisions worldwide.

These activities ensured that the control measures for the risk of infection were suitable in terms of the development of the pandemic, the working conditions and the characteristics of the workforce during the critical periods of the emergency. At the same time, the monitoring system guaranteed that the health and safety measures adopted in the workplace to limit the risk of infection did not generate new risks to the health and safety of workers at both a physical and psychological level.

As an integral part of the Workplace Health Promotion (WHP) programme, the collaboration with the Milan and region of Lombardy Health Authority to maintain the Workplace that promotes health status acquired in the recent years by achieving the goals we were assigned.

Also in 2020 the flu vaccination was offered to employees free of charge and additional vaccination prophylaxis was made available in the welfare system.

# HUMAN CAPITAL

## Human resource policies and management

As described in the Policy "Our People" on the management of human capital "people are the indispensable and fundamental element for the very existence of the business and the company objectives can only be achieved with their dedication and professionalism".
People's professional knowledge is fundamental for sustainable growth and an asset to be safeguarded, valorised and developed. The development of a culture oriented to sharing know-how is the main instrument for consolidating the wealth of knowledge and experience.

## Workforce trend

The total turnover is calculated as the ratio between all the annual exits and the average resources in the year. The voluntary turnover is calculated as the ratio between all the annual exits and the average resources in the year.
The overall turnover rate increased by 6% compared to 2019, to reach a level of 32% in 2020 (for both perimeters); a value that remains significant because of:
(a) the extremely dynamic situation in the Oil&Gas market, which led to a reduction in operating activities, following a significant contraction in investments in the sector;
(b) the nature of Saipem's business which, being a contracting company, works for large projects that have variable durations (from a few months to years) in different geographical areas. Taking into account these peculiarities, the quali-quantitative size of Saipem's human capital is therefore subject to a natural fluctuation connected with the different operating phases of projects and the cyclical nature of clients' investment.

Considering the specific circumstances, the qualitative and quantitative dimension of Saipem's human capital is therefore subject a natural fluctuation that is connected to the various operating phases of projects and the cyclical nature of investments from clients.

Conversely, voluntary turnover fell by 1.8% for the total Group perimeter and by 2.7% for the full consolidated perimeter.

The total agency staff is lower than in 2019 because of the considerations outlined above and more specifically because of the release of staff for projects in the completion phase in Saudi Arabia (Khurais and Jazan projects), in Iraq (West Qurna), in Serbia (Gastran pipeline project) and because of the reduction in operating activities in the Ersai yard in Kazakhstan.

## Risks associated with human resource management

**RISKS COVERED BY ITALIAN LEGISLATIVE DECREE NO. 254/2016: PEOPLE MANAGEMENT**

| Saipem material topic | | Risks identified by the Company | Summary of adopted risk mitigation measures |
|---|---|---|---|
| Saipem material topic | People safety | Accidents during operational activities which may cause injuries or fatal injuries to Saipem employees or vendor and subcontractor staff. | Saipem is committed to both preventing and mitigating these risks through specialised training programmes dedicated to employees, as well as to its vendors and subcontractors, on technical topics and on work safety with the aim of ensuring high quality standards in training. Furthermore, the Company is involved in numerous initiatives, such as the "Leadership in Health & Safety" programme (LiHS), the campaign dedicated to "Life Saving Rules" and "Dropped Objects Prevention". Finally, Group operations are certified in accordance with the ISO 45001:2018 management system. |
| | Safe operations, asset integrity and process safety | Critical issues related to political, social and economic instability and terrorist threats to staff, operations, activities and assets. | The Group is involved in the constant monitoring of various critical issues (in particular political, social and economic) and terrorist threats in verifying the adequacy of the mitigation measures in place, making use of an intelligence network and actively cooperating with the police forces and security service providers in the countries where it operates. In particular, Saipem has developed security plans and a crisis management system. Finally, the Group pursues a commercial strategy with strong project selectivity, also taking into consideration the risks associated with the country of operations. |
| | | Significant accidents to Saipem's strategic assets or client infrastructures. | To mitigate and prevent this risk, Saipem incurs significant expenses for the maintenance of its proprietary assets and has developed various prevention initiatives, including the application of the Asset Integrity Management System and the development of Safety Cases, as well as the specific training for technical personnel. Finally, for all vessels in the Group's fleet, Saipem periodically renews certifications issued by the appropriate classification bodies and by flag state authorities following inspections which the classification bodies perform for assets. |
| | Well-being and health | Difficulty in managing biological risks of an exogenous (e.g. epidemics and pandemics) and endogenous nature (e.g. legionella, malaria, rabies). | The Group has set up a programme for defining, implementing and monitoring health facilities and physicians responsible for managing personnel health, with the aim of avoiding and mitigating these risks. Furthermore, Saipem carries out training and awareness-raising initiatives on health issues, continuously monitors the health situation and has developed tele-medicine programmes in the countries where it operates. In the event of serious consequences for the health of personnel, Saipem has a system for managing medical emergencies and repatriation in the case of patients in critical conditions.<br>In the event of health crises (e.g. COVID-19), Saipem puts in place a crisis management system, which involves the establishment of a specific Task Force made up of doctors in order to monitor developments and provide support and information to staff. Finally, the Group uses collaborations and communication flows with local and international authorities. |
| | Attract and retain talent | Loss or lack of key skills. | Saipem periodically plans human resource needs based on business objectives, taking into account available and necessary skills with a particular focus on key skills and ensuring an effective distribution of personnel within the Group (also on the basis of job rotation programmes). Furthermore, the Group organises various training programmes on critical business skills and has developed a structured methodology for career paths and compensation systems (e.g. long-term incentives). Finally, Saipem has developed initiatives to increase the Company's attractiveness in the main universities. |

### Workforce trend

| | | 2018 | | 2019 | | 2020 | |
|---|---|---|---|---|---|---|---|
| | | Group total | Group consolidated | Group total | Group consolidated | Group total | Group consolidated |
| Total employees at period end | (No.) | 34,129 | 31,693 | 36,986 | 32,528 | 35,023 | 29,522 |
| **Employee categories** | | | | | | | |
| Senior Manager | (No.) | 385 | 380 | 400 | 384 | 400 | 388 |
| Managers | (No.) | 4,187 | 4,091 | 4,446 | 4,285 | 4,574 | 4,344 |
| White Collars | (No.) | 16,633 | 15,323 | 19,546 | 16,625 | 17,559 | 15,849 |
| Blue Collars | (No.) | 12,924 | 11,899 | 12,594 | 11,234 | 12,490 | 8,941 |
| **Type of contract** | | | | | | | |
| Employees with full-time contracts | (No.) | 33,906 | 31,470 | 36,814 | 32,357 | 34,871 | 29,370 |
| Employees recruited through an agency | (No.) | 7,380 | 6,869 | 5,564 | 4,873 | 3,672 | 3,421 |
| Employees on permanent contracts | (No.) | - | - | - | - | 16,088 | 14,840 |
| Employees on fixed term contracts | (No.) | - | - | - | - | 18,935 | 14,682 |
| **Turnover** | | | | | | | |
| Total turnover (*) | (%) | 31 | 27 | 26 | 26 | 32 | 32 |
| Voluntary turnover (**) | (%) | - | - | 6.4 | 6.7 | 4.6 | 4.0 |

(*) The total turnover is calculated as the ratio between all the annual exits and the average resources in the year.
(**) The voluntary turnover is calculated as the ratio between all the annual exits and the average resources in the year.

## Development of skills

GRI 404-2

The enhancement and management of professional skills is a distinctive and characterising element for Saipem and constitutes a competitive advantage in its reference market. Consistently with the HR strategy aimed at safeguarding and enhancing the distinctive skills – which focuses on the Saipem resource intended as the bearer of a set of critical business skills and extended experiences gained over the course of a working life – a process was developed. Strategic Workforce Planning, to support and integrate the consolidated HR Planning process, focused on the professional roles which are identified as "core" by the divisions and closely linked to the scenario forecasts developed as part of the Saipem Strategic Plan. The output of the model is used to monitor the effective need for human resources in these roles and measure the level of coverage in relation to the corporate skills required to manage the challenges laid down in the Plan and therefore decide on, and better plan, the most suitable actions to be undertaken for recruitment in the market and the development and training of internal resources.

The emergency scenario that characterised 2020, led to Saipem reviewing its procedures and processes for the creation, development and monitoring of skills and expertise, with the objective of ensuring a prompt and flexible response to traditional processes and ensuring their continuity even in emergency scenarios that are objectively complex for all activities revolving around human beings.

In particular, the Company launched initiatives for rethinking the way of working, by promoting the innovative and digital dimension, and focusing increasingly on the development of the shared strategic expertise of people, with the joint aim of capitalising on that which has been achieved and developing innovative solutions as a support to and source for Saipem's future success.

Training confirmed its strategic importance for the business: during the course of 2020 Saipem promoted many training interventions with the objective of improving soft skills for facing the challenges from the new scenario. Continuity was guaranteed in the supply of an accessible and widespread training offer, by favouring and exploiting the potential of e-learning.

To accompany the staff in the Italian premises in their gradual return to offices in a completely safe manner, a specific training programme was designed and supplied on COVID issues, which also provided suggestions on how to develop resilience and crisis management skills, as described in section "Raising awareness and information on the pandemic" in this document.

Saipem has set itself significant objectives in terms of the Attraction and Development of the essential strategic skills for the construction of the intellectual capital required for energy transition.
During the course of the year the "Competence Assessment" software was developed for the digitalisation of the monitoring process of the skills of staff operating on board the naval vessels of the Offshore E&C Division; the tool supports the Assurance & Assessment process of competencies for all the key staff, operating on

board Saipem's vessels, and makes it possible to operate in compliance with regulatory requirements and ensures control over the development of human capital and the distinct professional skills.

The guidelines of the Employer Branding activities were shared at a worldwide level with the objective of improving brand communication online and identifying online initiatives to maintain and strengthen Saipem's commitment towards talents; in this way, during the course of 2020, despite the restrictions from the pandemic, Saipem continued its consolidated partnerships with Milan's Politecnico and Bocconi university through its contribution to university training and career guidance by participating in the Virtual Career Fairs and events, with a clear focus on gender diversity and the promotion of Saipem as an equal opportunities employer.

Moreover, during the year, in partnership with Milan's Politecnico, the innovative Data Scientist Academy was launched, a programme dedicated to 30 brilliant students with the objective of bringing them closer to the company's innovations through activities to improve the dialogue between academic institutions and the labour market and position Saipem as an Employer of choice, based on its innovative know-how on significant technological issues.

In line with the important objective of sharing the innovations Saipem introduces to get a head start on the challenges of the future, a Digital Visit was also organised for students on the Digital Business Transformation course at Bocconi, which represented an important opportunity for creating a dialogue with future generations.

The desire to create, in the new generations, a culture that is increasingly close to the competencies and aptitudes necessary for approaching the new challenges of the future, was perfectly exemplified in the activation, in partnership with the University of Trieste, of annual scholarships in memory of Egidio Palliotto, a top manager of the company who died prematurely. Through these scholarships, Saipem wants to consolidate its connection with the city of Trieste, with the objective of attracting new generations to scientific subjects, while also honouring the memory of a great professional who contributed to Saipem's success.

To strengthen Saipem's presence in Mozambique in the long term, starting from 2019, collaboration agreements were developed with local schools and universities, with the aim of carrying out training, promotion, development and research activities in the sectors of science and technology, including the Memorandum of Understanding that Saipem Moçambique Lda and Universidade Lùrio ("UniLurio") signed in February 2020 for the development of joint initiatives for training, promotion, development and research activities in the sectors of science and technology. Moreover, with the objective of promoting a collaboration between universities in Italy and Mozambique, and with the aim of promoting the social, economic and cultural fabric of the country, in 2020 Saipem began a collaboration with the Politecnico of Milan and UniLurio, in order to support students in career guidance and help lecturers improve the quality of teaching.

In this context, with the support of Saipem, the two universities are about to sign an agreement, the Virtual Mobility Agreement, that will allow Mozambican students to attend courses at the Politecnico of Milan, thereby integrating their educational programme and developing strategic skills to improve their employability.

## Attracting talents

In 2020, the policy dedicated to millennials continued, with the aim of modernising policies for attracting youngsters, through dedicated remuneration and development strategies, with the objective of responding better to the different interaction requirements and methods of the new generations.

Straight from the selection process, a rapid and compelling "candidate experience" is guaranteed for students, who can complete most of the selection process using personal devices, also allowing the Company to more effectively assess the candidates' behavioural characteristics through a "web in basket assessment" based on the Saipem Leadership Model. Language skills are also assessed effectively through specific online tests.
With the aim of promoting the growth of young people, a programme was also established to enable their enhancement, accompanying people along a gradual course of training and development. Saipem is adopting innovative instruments and methods for monitoring the results, conduct and growth potential of its people, to orient their development based on company requirements. Millennials have benefited from a dedicated e-learning training offer, with the aim of enabling the development of technical and behavioural skills that are consistent with their role; the Company also plans to provide innovative tools to facilitate continual digital feedback cycles.
The strategic vision of the selection process, which has envisaged an increasing use of opportunities provided by digitalisation, has proven to be successful in the unusual context of 2020, that was characterised by social distancing rules, as the quality and effectiveness of selection activities has remained high. Indeed, during the course of 2020 18,303 applications were managed and more than 90 young talents were hired by the Organisation.

GRI 403-5
GRI 404-1
GRI 404-3

## Reverse Mentoring and training

The pandemic which characterised 2020 led to Saipem rethinking its training process, with the aim of making it more suited to the emergency situation. In confirming the strategic relevance of training, Saipem remained committed to guaranteeing the continuity of the provision of its training offer through alternative procedures, by favouring and exploiting the potential of e-learning.
In general, despite its commitments, in 2020 the total number of training hours decreased by 40% compared to the previous year, although 97% of the consolidated perimeter (96% for the Group perimeter) had at least one training course during the year. In 2020, on average, every employee attended 19.9 hours of training for the consolidated perimeter (and 18.7 hours at the Group perimeter) and, specifically, on average, each male employee participated in 20.9 hours for the consolidated perimeter (19.6 for the Group perimeter), while each female employee participated in 12.8 hours of training for the consolidated perimeter (11.9 hours for the Group perimeter).
In terms of the training hours used by each professional category, the details are as follows: Senior Managers had an average of 13.3 hours of training for the consolidated perimeter (12.9 hours for the Group perimeter), Middle Managers had 15.5 hours of training for the consolidated perimeter (14.8 hours for the Group perimeter), White Collars had 17.6 hours of training for the consolidated perimeter (16.8 hours for the Group perimeter), and, finally, Blue Collars had 32.1 hours of training for the consolidated perimeter (23.3 hours for the Group perimeter).
HSE training was confirmed as a priority for Saipem, which is why there will continue to be significant investments in this area, through the design and development of dedicated training programmes to promote HSE culture and awareness; in particular, compared to the total training hours provided to employees (655,910 for the Group perimeter and 587,517 for the consolidated perimeter), 78% (76% for the consolidated perimeter) concerned HSE issues, with an average of 15.1 hours of HSE training (14.5 hours for the Group perimeter) for each employee. Moreover, 798,963 hours of HSE training were provided to subcontractors (745,993 hours for the consolidated perimeter). Saipem continues to make investments to acquire greater competencies on compliance and governance issues; in particular, we report a significant increase in hours of training provided in this area, which were up 77% compared to 2019.

The overall scenario the company faced led to a rethink in the means of providing even managerial training, in order to preserve its methodological effectiveness; Saipem intends to invest further in the development of managerial skills and, during the course of 2021, it has committed to designing and offering new initiatives which can be accessed and are effective even with e-learning.
The emergency situation did not have a significant impact on performance assessment activities; the slight decrease in the number of resources monitored through performance assessment instruments is actually explained by the slight reduction in the workforce (from 36,986 to 35,023 resources for the Group perimeter) and not by a lower rate of coverage of the population; indeed, we report that the KPI relating to the coverage percentage of the population that was monitored were higher than levels for the previous year in terms of the consolidation perimeter, while they were slightly lower for the Group perimeter.
Out of 29,522 employees for the consolidated perimeter (35,023 for the Group perimeter), 17,915 for the consolidated perimeter (17,915 for the Group perimeter) were subject to performance assessment, and specifically 64% of women for the consolidated perimeter (58% for the Group perimeter) and 60% of men for the consolidated perimeter (50% for the Group perimeter). 98% of Senior Managers (95% for both the consolidated perimeter and the Group perimeter), 75% of Middle Managers for the consolidated perimeter (71% for the Group perimeter), 62% of White Collars for the consolidated perimeter (56% for the Group perimeter) and 50% of Blue Collars for the consolidated perimeter (36% for the Group perimeter) were subject to performance assessment.

Saipem's commitment to the development of skills not only enhances the new generations but also constantly fosters continuous growth of expert resources. Consistently with the aim of retaining the high-level, distinctive know-how of Senior resources and foster cross-generational learning, the Company has promoted the Reverse Mentoring methodology. A new competencies and knowledge transfer paradigm has been inaugurated, supporting the development of a mindset oriented to experimenting new forms of cooperation between Junior and Senior colleagues. The first two editions involved about 60 resources, who were pre-selected based on their learning aptitude and digital mindset. The pairs identified worked together, with a view to continuous exchange, through periodic, structured meetings aiming to disseminate knowledge and understand emerging trends.

In 2021, a new version of the Reverse Mentoring programme will be launched, with the objective of promoting an inclusive culture which promotes diversity. Saipem's commitment to promoting an increasingly inclusive culture that is attentive to Diversity issues was also pursued through training initiatives in collaboration with the Italian Association, Valore D.

In Saipem's People Strategy, training has always had a strategic value for promoting and improving the competencies of its staff; in 2020 priority was given to obligatory training activities; in particular, an important HSE training programme was issued called Life Saving Rules, with the objective of promoting a familiarisation with these rules in order to protect the health and safety of all of Saipem's employees. At the same time, in line with the issuing of the new HSE Matrix Training, the design and development activities continued for the e-learning programme called HSE Digital Learning Program, which accompanies people in learning about Health, Safety and Environment issues.

Saipem also continued to invest on skills relating to compliance and governance; in particular, the courses relating to Italian Law 231 and anti-corruption issues were updated and the course was developed on the Related Parties procedure for Managing Directors (or equivalent roles) and for the Commercial, Finance, Insurance and Procurement professional categories. The course successfully reached the entire population it was designed for and contributed to an improvement in the application of the above procedures and the traceability of the process. Moreover, a course dedicated to a focus on the legislation and processes connected to Market Abuse was provided.

During the course of the year, the focus on strategic skills to support the business was confirmed through the investment in the promotion of Project Management culture. With the aim of creating a PM Academy, design activities commenced on training content that was developed with the support of the Technical Committee, which includes the Human Resources Function, as well as technical business representatives and lecturers from the Politecnico in Milan. The investment in the PM Academy, given the cross sectional characteristics of the latter, resulted in the promotion of more specific initiatives, such as the "OPM Takeaways" programme developed by the Onshore Division, the objective of which is to improve the knowledge of its project methodologies, starting from experiences on the field and from the lessons learned of the internal instructors.

Saipem has confirmed itself as a promoter of the development and promotion of cross-sectional technical expertise and, through the creation of an Internal Academy, it designs training programmes dedicated to the company's various professional categories through a pool of internal instructors. Saipem's Academy is involved in numerous initiatives to strengthen business knowledge, such as the Deep In (thematic seminars), the training showcase called Pozzo di Scienza promoted by the Onshore Drilling Division and the production of specific internal catalogues for individual Divisions. Also with the intention of safeguarding the pool of technical expertise of its businesses, a Technical Committee was set up to design specific training programmes for the Offshore E&C Division.
The strengthening of the connection between business strategies and development and training strategies, with the aim of monitoring and continually developing people's competencies, can also be seen in the initiatives for improving the specific technical skills of the business and in its focus on behavioural skills.

Indeed, the development activities continued to strengthen the pivotal role of Saipem's Leadership Model, including activities for the assessment of potential, that were conducted remotely, with priority given to the population of Talents, the monitoring of which saw the constant involvement of the Human Resources Development Committee in defining and incentivising challenging across-the-board development programmes for young talents. In particular, the Committee collectively verified the suitability of profiles in terms of the requirements of the Leadership Model and promoted career and inter-functional and inter-divisional plans, with the ultimate objective of creating value for the entire Company.

In accordance with the company's Leadership Model, the promotion of the feedback culture also continued, with the trial of an App enabling an instantaneous exchange of feedback amongst colleagues, to promote self-development. In this way people have the opportunity to learn how to communicate and exploit in a constructive manner other people's points of view and acquire greater awareness of their strengths and areas requiring improvement in terms of the Leadership Model.

The synergy between the business strategy and people strategy is also evident in the various leadership development programmes:
> the initiative Leadership Development Function Head which, following the project Top Leadership Fitting, that was implemented in 2019 by the Onshore E&C Division, promoted a programme to support the function managers in change processes;
> the Business Leadership programme, which combines training and coaching initiative dedicated to managerial resources of the Project Management, category with the aim of facilitating the integration of behavioural and strategic skills with technical competencies, to promote an innovative and effective leadership style.

Finally, with the aim of promoting knowledge sharing processes, the In & Out programme was launched, which is designed for young talents being developed for the Internal Audit function. Through job rotation processes, the programme promotes the development of cross-sectional and business knowledge and creates opportunities for inter-functional and/or inter-divisional experiences.

| | | 2018 | | 2019 | | 2020 | |
|---|---|---|---|---|---|---|---|
| | | Group total | Group consolidated | Group total | Group consolidated | Group total | Group consolidated |
| **Training** | | | | | | | |
| Total hours of training, of which: | (hours) | 2,086,681 | 2,059,822 | 2,407,786 | 2,395,487 | 1,454,873 | 1,333,510 |
| - HSE (employees and subcontractors) | (hours) | 1,867,401 | 1,840,555 | 2,199,115 | 2,192,036 | 1,307,275 | 1,190,562 |
| - managerial potential and skills | (hours) | 27,934 | 27,934 | 49,698 | 49,052 | 8,993 | 8,941 |
| - professional technical skills | (hours) | 191,347 | 191,333 | 158,973 | 154,399 | 138,605 | 134,008 |
| Total direct training costs | (€ mln) | - | - | - | - | 2.64 | 2.64 |
| **Performance assessment** | | | | | | | |
| Employees subject to performance assessment | (No.) | 13,568 | 13,130 | 19,111 | 18,518 | 17,915 | 17,915 |
| Senior Managers | (No.) | 372 | 372 | 372 | 371 | 379 | 379 |
| Managers | (No.) | 2,452 | 2,452 | 3,006 | 3,093 | 3,261 | 3,261 |
| White Collars | (No.) | 7,211 | 6,785 | 10,403 | 9,849 | 9,812 | 9,812 |
| Blue Collars | (No.) | 3,533 | 3,521 | 5,330 | 5,205 | 4,463 | 4,463 |
| Percentage of employees subject to performance assessment out of the total | (%) | 40 | 41 | 52 | 57 | 51 | 61 |

## Involvement of employees: survey on the reputational profile

In November 2020, all employees were asked to take part in a survey on the perception of Saipem's reputation and on its strategic alignment The survey was conducted along with RepTrak, a global leader in Corporate Reputation Management. The model used by RepTrak® considers emotional aspects (respect, trust, admiration and positive feeling) and the following 7 rational drivers: quality of services, innovation, workplace, governance, social role, financial performance and leadership.

The survey was completed by 5,085 colleagues (16.5% of the total workforce involved in the survey). 5 different age categories were considered (under 30, 30-39, 40-49, 50-59 and over 59), as well as additional segments for gender, role, seniority and place of work. From the analysis of the responses, it can be seen that on the scale Poor - Weak - Average - Strong - Excellent, Saipem is on average deemed to have a Strong reputation (score of 78.5/100), with peaks of over 85/100 in countries like the United Arab Emirates, Nigeria and Kuwait. 82.4% speak well of Saipem (with a peak of 88.9% in over 59 year olds), and 79.7% of under 30 year olds recommend it as a company to work for. In terms of the rational drivers, the quality of the services provided (78.5/100), the promotion of the social role (75.8/100) and governance (74.5/100) stand out. Under 30s, in particular have a favourable view of workplace (73.2/100), innovation (73.9/100), and leadership (71/100) aspects. Approximately 18% (930 out of 5,085) of employees are "Heroes", i.e. they assign a reputational score and have an alignment with the company's values of more than 90/100, compared to an average of 77/100. In terms of the strategic vision, the priorities expressed by employees are Renewable Energies (34.6%), Digital Transformation (17.3%), New Business Models (16%), New Areas of Development (15.9%), Circular Economy (8.4%), Hydrocarbons (7.7%).

## Industrial relations

Of more than 27,000 employees (more than 33,000, if we consider the Group total) monitored (the total includes full-time Italian employees, French employees irrespective of the country they work in and local employees for all the other countries), 11,868 (12,972 at Group level) are covered by collective bargaining agreements. The decreasing trend for the Group total can be explained by the fact that there was a reduction in staff due to the completion of project activities in areas where these types of agreement are very common (Chile, Nigeria, Kazakhstan).
In 2020, collective strikes were recorded for a total of 168 hours. Strikes were held in Italy (where 79% of strike hours were recorded) and in Argentina.
During the course of 2020, relations with trade union organisations were characterised by a constant dialogue, both in Italy and abroad, for the management of the COVID-19 emergency.
In Italy, the development of plans of action for the management of the emergency linked to the spread of the Sars-Cov-2 virus was continually discussed with the trade union organisations, through a constant process of

information and updating and the creation, following consultations with the internal trade unions, of specific protocols for governing measures to contain the spread of the virus which were applied in each premises. As additional instruments of dialogue and consultation, bilateral Committees were also established at a national and local level between the company and trade union organisations, with the aim of jointly managing the correct application of the actions and measures adopted. The Committees established at individual premises level were also jointly involved with the company in monitoring the health and safety measures in place in the offices in order to verify on an ongoing basis the implementation of all the actions identified for ensuring the recovery of working activities in complete safety.

In line with the actions adopted in Italy, the dialogue with the employees' representatives in France related to defining plans for the return of the workforce to offices following the management of the COVID-19 virus situation. Consultations relating to the actions identified to prevent and contrast the spread of the pandemic were also implemented with trade union representatives in Norway, Nigeria, Brazil and Indonesia; in the latter, the trade union SPL-FSPMI was actively involved in the COVID-19 Yard Task force, the international working group, that was established to ensure a more effective coordination of the prevention activities implemented in the Karimun Yard. In Argentina, the entity Petrex SA Argentina Branch adhered to the agreements drawn up by the sector's trade unions and the chamber of commerce of Neuquén for the redefinition of the criteria and respective remuneration instruments and procedures for workforces during lockdowns.

In the context of the broader and overall cost saving and control actions for a series of management indicators, in Italy and France, actions were established for the management of holidays and leave. In particular, in Italy specific agreements were signed with the internal trade unions of the various premises which defined additional days of company closures in the months of August and in the period between the Christmas and new year holidays.

In France, for the companies Saipem SA and Sofresid, agreements were signed with the relevant unions for the staff to benefit from accumulated holidays, including to observe the measures adopted by the French government. Moreover, the company Sofresid signed an agreement regarding extraordinary reduction of working hours and salaries until June 30. We also report the signing of an additional agreement with the unions of both French companies intended to redefine the PERCOL company pension plan.

Because of the economic effects from the global health emergency which resulted, in particular, in the drilling sector, in the temporary reduction of activities and the postponement of certain related projects, we were forced to use wage support schemes in Italy, Norway and Peru.

In Italy the COVID-19 wage support scheme was used for about 70 workers from the Onshore and Offshore Drilling Divisions based in Ravenna, by signing a specific trade union agreement with the local trade union organisations.

In Norway, in April, the company Saipem Drilling AS started consultations with the local trade unions for use of wage support schemes until October for part of the drilling staff employed on the vessel Scarabeo 8. In Peru, given the situation described above, after notifying the trade unions, the company Petrex SA, adhered in June to the plan for suspending the employment of part of the operational drilling staff until January 2021.

Moreover, in Italy and in other countries, some significant collective bargaining agreements were also signed. For Italy an agreement was signed relating to the Participation Bonus on the final balance of the profitability and productivity results for 2019 which, thanks to the methodology defined in 2018, ensured a closer and more direct correlation between results that were reached, at both the company and divisional level, and the respective payments to employees. In order to ensure an increasingly balanced monetary and non-monetary component of the Bonus, the mechanism which allows for part of this to be converted into welfare services was retained; this was also confirmed because of its popularity with employees, as demonstrated by the high percentage of people adopting this in previous years.

The Company and Italian trade union organisations also signed a pre-retirement plan pursuant to Article 4 of the Fornero Law, which will allow for the early retirement of 180 resources in the three-year period 2020-2022, of which 39 retired during 2020. The objective of the plan is to facilitate the process of qualitative and quantitative exchange in the generational mix of resources and is part of the wider plan of actions adopted with regard to digital transformation.

Outside Italy, in 2020, renewal processes for bargaining agreements were initiated and in part completed in various countries, including Nigeria, Indonesia and Kazakhstan. In Norway a new agreement was signed for the ROV (Remotely Operated Vehicles) staff of Saipem Ltd Norway Branch.

The dialogue being brought forward at a transnational level, through the European Corporate Committee, is relevant for international industrial relations, from the perspective of consolidating relations and the company's commitment in improving discussions with workers representatives in the European Economic Area; in November, the company organised the third annual meeting for the Committee, which was conducted remotely given the restrictions on the movement of people due to the pandemic; this meeting was an important opportunity for a discussion and constructive debate for developing and further consolidating a culture of trust, collaboration and communication with trade union representatives on issues of transnational interest and importance. The plenary meeting took place after another two extraordinary meetings in 2020 on the management of the COVID-19 emergency and the reorganisation of the Offshore E&C Division respectively, aside from the follow-up meeting envisaged by the agreement which established the Committee.

| | | 2018 | | 2019 | | 2020 | |
|---|---|---|---|---|---|---|---|
| | | Group total | Group consolidated | Group total | Group consolidated | Group total | Group consolidated |
| Employees covered by collective bargaining agreements | (%) | 47 | 46 | 42 | 42 | 39 | 44 |
| Strike hours | (No.) | 23,699 | 23,699 | 15,561 | 15,561 | 168 | 168 |

## Equal treatment and enhancement of differences

GRI 401-2
GRI 401-3
GRI 405-1
GRI 405-2

Saipem is committed to creating a work environment where different characteristics or personal or cultural orientations are considered a resource and a source of mutual enrichment, as well as being an inalienable element of business sustainability. This commitment is a founding point of the Policy "Our People".
As defined in the Code of Ethics, in full compliance with applicable legal and contractual provisions, Saipem undertakes to offer equal opportunities to all its employees, making sure that each of them receives a fair statutory and wage treatment exclusively based on merit and expertise, without discrimination of any kind.
In 2020, as an additional support action for this important objective for Saipem, through its CEO, Stefano Cao, two important protocols were signed: the declaration supporting Women Empowerment Principles (WEP) and the Manifesto for female employment of the association Valore D. The Women Empowerment Principles, introduced by the UN Global Compact and UN Women, represent the guiding principles for companies in promoting gender equality and the emancipation of women in the workplace, market and community. The Manifesto for female employment is a policy document in nine points which summarises the principles, concrete actions and indicators for pursuing gender equality and promoting the role of women in companies.

The functions responsible for managing people must:
- adopt in any situation criteria of merit and ability (and anyhow strictly professional) in all decisions concerning human resources;
- always select, hire, train, compensate and manage human resources without discrimination of any kind;
- create a working environment where personal characteristics or beliefs do not give rise to discrimination and which allows the serenity of all Saipem's people.

More specifically, the Group's compensation policy is based on the principle of equality of merit and the local approach. In fact, Saipem defines its policies in full accordance with the skills and performance assessment and identifies compensation strategies through a local approach that intercepts the trend and specific nature of the labour market and the local labour law context.

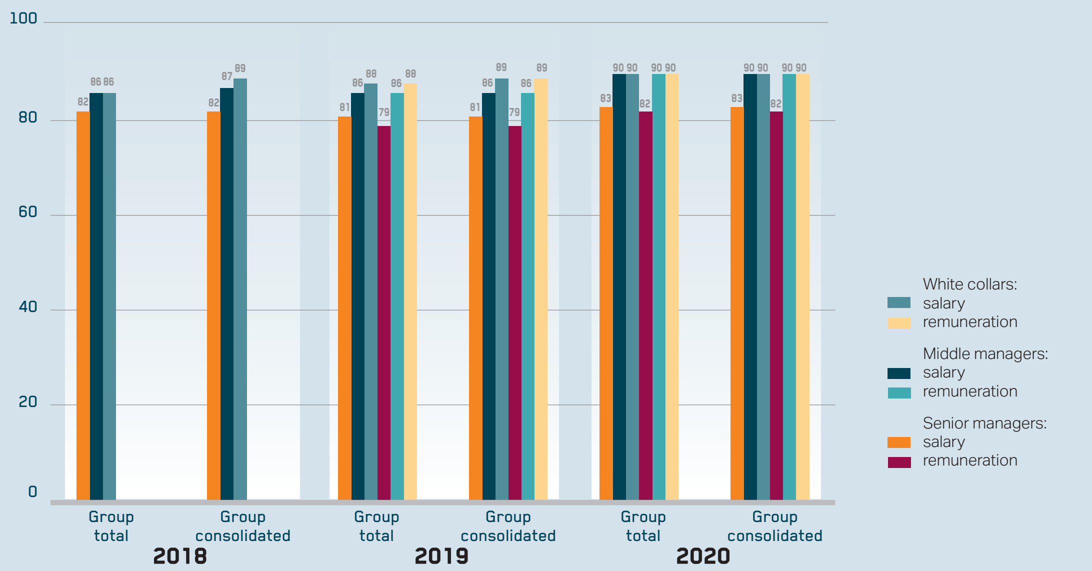
Saipem is also committed to promoting programmes to guarantee generational turnover, aiming to ensure business continuity, ensure critical skills and promote change. These initiatives on one hand provide development opportunities for young people and, on the other, enhance the senior resources and their know-how. Generational turnover will be achieved in Saipem by supporting the motivation of the most expert resources to foster tutoring and the transfer of knowledge, as well as creating the organisational and managerial conditions to allow young people to obtain full empowerment.
Saipem guarantees its employees, based on the specific local circumstances, different types and modes of benefits that include supplementary pension funds, additional health funds, mobility support services and policies, initiatives in the field of welfare and family support policies, catering and training courses aimed at ensuring more effective integration within the socio-cultural context of reference. These benefits, when envisaged and based on the country/society/local legislation in force, today are applied to the whole specific reference population regardless of the type of contract (temporary/permanent), except for those particular services where the time scale of performance delivery may not be compatible with the duration of the contract.
The protection of specific groups of employees is safeguarded through the application of local laws, and is reinforced by specific corporate policies that emphasise the importance of this issue. The goal is to ensure equal opportunities for all types of worker in an effort to deter the onset of prejudice, harassment and discrimination of any kind (e.g. related to sexual orientation, colour, nationality, ethnicity, culture, religion, age

and disability) in full respect of human rights. Saipem also guarantees recruitment of disabled persons and young resources and the respect for given proportions of local and expatriate staff.

As regards gender, women represent 12% of the workforce (11% for the Group perimeter). For age distribution, 12% of employees are less than 30 years old (12% for the Group perimeter), 72% are between 30 and 50 (71% for the Group perimeter) and 16% are over 50 (15% for the Group perimeter).
The percentage of women in a managerial position compared to the total number of women is 20% (19% compared to the Group perimeter), a figure which is 1% higher than the previous year.
The Company defines on an annual basis the guidelines of the Remuneration Policy, and in particular prepares precise guidelines to govern remuneration policies and reduce remuneration disparities between men and women, in all the countries in which it operates.
In particular, Saipem's constant effort clearly affirms the principle "equal pay for equal work" and reduces the remuneration disparity between men and women in all operating environments. The results of the gender pay gap indicators assessed at a global level are also influenced by the specific manpower dynamics for the year
The salary gender pay gap indicator the category of Senior Managers is 83% (for both the consolidated perimeter and Group perimeter), with regard to Middle Managers, the 2020 indicator has a value of 90% (for both the consolidated perimeter and Group perimeter); in terms of White Collars the value is 90% (for both the consolidated perimeter and the Group perimeter).
The remuneration gender pay gap indicator, which includes both the fixed and variable part of the remuneration, shows a uniform trend compared to the salary gender pay gap indicator for the Middle Managers and White Collars categories, reaching a value of 90% (for both the consolidated and Group perimeter), while for Senior Managers it is 82% (for both the consolidated perimeter and the Group perimeter).
The gender pay gap reveals an overall improvement compared to the data for the previous year, highlighting Saipem's commitment to reducing remuneration disparity between men and women.
Saipem supports the work/family balance of its personnel through company regulations and/or local policies which guarantee parental leave. The differences among countries for this leave lie only in the time and method of abstaining from work. We report a reduction in the average number of days of leave used despite the significant increase in the number of days of parental leave used by men. In 2020, Saipem had 819 employees (841 if we refer to the Group total perimeter), 508 men (518 considering the Group total perimeter) and 311 women (323 considering the Group total perimeter), who made use of parental leave for a total of 30,012 days (31,333 referring to the Group total perimeter); at the same time, one should note the return to work from parental leave of 766 employees (780 at Group level) in the same period, 522 men (532 at Group total level) and 244 women (248 at Group total level), with a return rate from parental leave of 94% (93% also at Group total level), which was up against the previous year.

| (No.) | 2018 Group total | 2018 Group consolidated | 2019 Group total | 2019 Group consolidated | 2020 Group total | 2020 Group consolidated |
|---|---|---|---|---|---|---|
| **Female presence** | | | | | | |
| Female employment, by geographical area: | 3,644 | 3,458 | 3,874 | 3,674 | 3,964 | 3,572 |
| Americas | 350 | 350 | 357 | 357 | 363 | 363 |
| CIS | 420 | 419 | 375 | 363 | 398 | 227 |
| Europe | 1,998 | 1,902 | 2,085 | 2,026 | 2,162 | 2,057 |
| Middle East | 154 | 152 | 227 | 224 | 213 | 210 |
| North Africa | 35 | 35 | 33 | 33 | 31 | 31 |
| Sub-Saharan Africa | 307 | 220 | 346 | 210 | 293 | 181 |
| Far East | 380 | 380 | 451 | 451 | 504 | 503 |
| **Female leadership** | | | | | | |
| Female Senior Managers | 23 | 23 | 26 | 25 | 26 | 26 |
| Female Managers | 643 | 633 | 689 | 670 | 727 | 698 |
| **Age ranges** | | | | | | |
| Employees under 30 years | 3,740 | 3,526 | 4,757 | 4,430 | 4,793 | 3,421 |
| of which women | 439 | 399 | 657 | 624 | 582 | 507 |
| Employees aged between 30 and 50 | 24,295 | 22,467 | 26,762 | 22,981 | 24,962 | 21,275 |
| of which women | 2,646 | 2,522 | 2,710 | 2,565 | 2,828 | 2,542 |
| Employees over 50 years of age | 6,094 | 5,700 | 5,467 | 5,117 | 5,268 | 4,826 |
| of which women | 559 | 537 | 507 | 485 | 554 | 523 |
| Employees with disabilities | - | - | - | - | 160 | 160 |
| **Multiculturalism** | | | | | | |
| Nationalities represented in the employee population | 123 | 122 | 127 | 124 | 129 | 127 |

GENDER PAY GAP (%)




Note: The salary gender pay gap indicator is calculated as the ratio between the average salary of a woman compared to the average salary of a man, by category.
The remuneration gender pay gap indicator is calculated as the ratio between the average remuneration of a woman compared to the remuneration average of a man, by category. The remuneration includes the salary and the variable part.

## Innovation in people management

During the course of 2020, various project activities were initiated to increase the digitalisation of HR processes, with the objective of improving their effectiveness and efficiency, with a particular focus on the key importance of the relationship between employees and their managers in the management of these processes. The Human Resources function promoted initiatives aimed at the dematerialisation and digitalisation of processes.
During 2020, the study and identification phase began for the technical and functional requirements of the new Human Capital Management (HCM) system in order to reach the integration of the HR processes of

management, compensation, development, training and management of competencies with innovative procedures and in accordance with the best practices of the market.
Also during 2020, as an additional strategic driver for development and change, a digital skills mapping programme was launched throughout the entire company to measure the level of coverage and suitability of ICT/digital skills of resources, compared to the transformation programme that was undertaken. This set of digital skills was also integrated in the inventory of technical and specialist skills associated with the main professional roles within Saipem, in order to ensure a more accurate process of analysis and a qualitative and quantitative dimensioning of the resources during the Strategic Workforce Planning process. A specific action plan was therefore prepared to ensure an improvement of digital skills both through development and training actions within the company and, where necessary, by finding competencies in the external labour market. In this regard, in 2020 we report the commencement of a series of projects, such as the training programme "BeDigital", to promote the dissemination and use of digital collaboration instruments. We also confirmed our focus on Cyber Security issues, through an e-learning training programme for the entire company population, in order to promote awareness in identifying and preventing potential cyber threats and security incidents.
Moreover, in 2020, a series of initiatives were also implemented aiming to completely review and rationalise the staff administration services management model. For a more fluid and rapid use of data for reporting and consolidation activities, in 2020, the innovation of processes also involved the introduction of new systems, including MyHr, the Human Resources Department's new integrated management system for staff attendance, payslips and reporting of business travel expenses.
In 2020, a review was also conducted of the integrated management system from the perspective of a technological upgrade and its integration with the ecosystem of HR applications, in order to promote the simplification of processes.
With the objective of managing the staff selection process in an innovative manner, from the initial application phases through to the on-boarding of resources, we also introduced, as a pilot scheme in the XSIGHT Division, a new Recruiting platform which, thanks to the automation of certain non-core processes, enables a reduction in the time required to identify resources for recruitment purposes.

# BUSINESS ETHICS

## Respect for human rights

GRI 407-1
GRI 408-1
GRI 409-1

SASB
EM-SV-510A.1
EM-SV-510A.2
EM-SV-530A.1

Saipem is committed to protecting and promoting human and labour rights when conducting its business, taking into consideration both the work standards recognised at international level and the local legislation in the countries where Group companies operate. This commitment is part of Saipem's modus operandi and is also made clear in the Policy "Our People".
With reference to the management of relations with personnel worldwide, Saipem adheres to the principles of the UN Universal Declaration of Human Rights and the OECD Guidelines for Multinational Enterprises. Furthermore, the Chief Executive Officer of Saipem has formally committed to promoting and respecting the principles set out in the United Nations Global Compact, to which Saipem adheres, including principles 1, 2, 3, 4, 5 and 6 (regarding the rights of workers and the promotion of socio-economic development of the territories).
During the course of 2020, to further confirm Saipem's commitment to this issue, the CEO signed a call to action for company leaders on human rights issues, by signing the Italian version of the "CEO Guide to Human Rights" drafted by the World Business Council on Sustainable Development (WBCSD).

In protecting and promoting the rights of workers, Saipem operates in accordance with the conventions of the International Labour Organisation (ILO) which concern the protection against forced labour and child labour, the fight against discrimination in employment and the workplace, freedom of association and collective bargaining.
Especially with reference to the latter, Saipem has a sound record of relations with trade union organisations in a variety of countries and covering several segments of its business. Further details can be found in the "Industrial relations" section hereto.
Saipem promotes and encourages a constant open dialogue between employer and employees so that the interests of the parties can be best realised, also in consideration of the fact that a regular and effective communication flow between the two parties appreciably reduces the probability of misunderstandings and conflict arising at the workplace.
Therefore, Saipem takes steps to ensure that there is a widespread and shared system between all the workers in Italy and around the world which permits an easy and effective resolution of any conflicts linked to issues that have implications of an administrative nature.
It is for this purpose that a procedural tool has been drawn up. It defines the methods for resolving conflicts, the schedules, the people involved in the process and knowledge of the outcomes for the workers.
Saipem's attention to labour rights extends also to offshore personnel with full abidance to the principles and the rights recognised to Seafarers promoted under the ILO Maritime Labour Convention of 2006 (MLC 2006).

Seafarers also have the right to submit a grievance according to a structured process if a violation of their rights arises.
To ensure each of them is aware of their rights, all people working on offshore vessels receive a copy of the related procedure and all the forms necessary for the complaint, together with a copy of their employment agreement. The captain and/or the Company examines any complaint, and any instance of harassment is managed in compliance with the Company's disciplinary procedures.
Finally, based on the commitments undertaken by the Group as a member of the Global Compact, since 2017 Saipem has implemented a human rights training and awareness raising plan targeting Human Resources staff and the managers of companies and branches working abroad, as well as subcontractors, seeking a common and more effective approach to the promotion and respect for human rights.

**RISKS COVERED BY ITALIAN LEGISLATIVE DECREE NO. 254/2016: HUMAN RIGHTS**

| Saipem material topic | | Risks identified by the Company | Summary of adopted risk mitigation measures |
|---|---|---|---|
| | Human and labour rights | Human rights violations committed by security service providers in critical geographical areas or in developing countries. | Saipem periodically carries out checks on the reliability of security services, especially during the qualification and selection phase of the relevant providers. Furthermore, the inclusion of clauses concerning the protection of human rights is envisaged in the contracts. Finally, Saipem organises specific training courses for personnel (both internal and external) engaged in security services. |

## Security practices

GRI 410-1
GRI 412-3

In the management of security, Saipem gives utmost importance to respecting human rights. Saipem is committed to adopting preventive measures aimed at minimising the need for response by public/private security forces in the case of any threats to the safety of its people and the integrity of its assets.
The Company manages relations with local security forces in order to ensure a shared commitment to human rights, as well as the adoption of rules of engagement that limit the use of force.
Before signing a contract, providers of security goods and services are subjected to a due diligence to verify that there are no counter-indications connected with the violation of human rights.
Saipem has introduced clauses regarding the respect for human rights in its contracts with these vendors since 2010, and failure to observe them leads to the withdrawal of the Company from the contract[1].
For new operational projects in which Saipem is responsible for security, a Security Risk Assessment on the country in question is made prior to any offers being tendered. If it decides to go ahead with issuing a call for bids, Saipem prepares the Project Security Execution Plan in which the security risk connected with the operating activities and the context is analysed, including human rights violation issues. On the basis of the risks identified, the actions needed both to manage and reduce these to a minimum are decided upon.
Potential breaches of human rights are in fact assessed in all the Company's operations using country risk sheets, in which the risk is assessed using specific quantitative and qualitative indicators.
In particular, the security risk factors of the operating environment are the subject of specific assessment by the Employer (Responsible for compliance on health and safety) in Saipem SpA and in the subsidiaries, pursuant to Legislative Decree No. 81/2008. The level of exposure to these risks depends on hygienic-environmental, socio-political and cultural factors, as well as on factors connected to the phenomena of criminality and terrorism, in a variable percentage depending on the country in which one operates. The document for the Assessment of Security Risks (VRS) is the document that identifies the security risks pertaining to each organisational structure/permanent site of an operating company or subsidiary and which defines the main mitigation actions to be undertaken.
The census of all operating sites both onshore and offshore (GST) and the tracking of Saipem employees (and contractors) present on the various operating sites/management offices, both onshore (POS) and offshore (POB), is constantly updated. As security risk prevention measures, the Company adopts specific measures such as:
- implementation of reception procedures in the country of destination (Meet & Greet);
- selection of accommodation;
- provision of local "security induction" on arrival at the destination of the expatriate personnel, with indications of local threats, conduct to be followed and precautions to be taken daily in the specific work site/country;
- assignment of a security escort, with use of armoured vehicles, where necessary, according to local security conditions;

*(1) Human rights clauses are in the "General terms and conditions" of all contracts.*

> journey management plan;
> use of GPS geopositioning systems;
> Safety Plan;
> Management plans for emergencies and crises - Evacuation (where deemed necessary).

The implementation of security plans and the provision of evacuation plans are tools used at all Company operational sites/offices. The synergy of different company functions also allows them to implement Local Crisis Units for the management of emergencies and crises.
The corporate functions also work in operational coordination with Embassies, Consulates, the Ministry of Foreign Affairs (MAE) - Crisis Unit, Client and Third Party Security (JV).
Consistently with and in compliance with Italian Legislative Decree No. 81/2008 "Consolidated Act on Occupational Safety" the Group Health and Security functions have also implemented the IT Time Management System (TMS) for managing missions/staff travel right from the moment of booking/authorisation, and for tracking staff on short-term trips or those working abroad. The system is an integral part of the authorisation process for staff business travel managed by HR and is made available to resources travelling on mission, secondment or work shift rotations between Italy and a foreign country aims to provide Pretravelling induction accompanied by a series of information on the Security and Health aspects specific to the destination country, as well as to guarantee tracking of workers travelling abroad.

With regard to training, 2020 was characterised by the commencement of an e-learning programme focusing on ethics and compliance issues, in an integrated module, dedicated specifically to people operating in security: 59 people passed the course during the reporting year, by completing the scheduled training programme, which will continue in 2021 for the rest of the population that has been identified.

## Fighting corruption

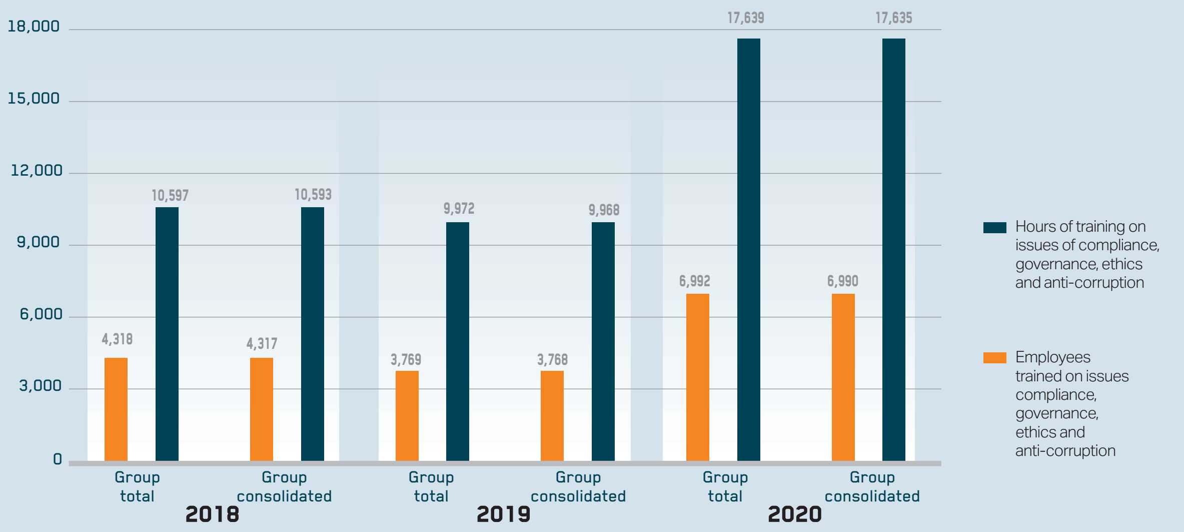
GRI 205-2
GRI 205-3
GRI 415-1

Saipem has always conducted its business with openness, fairness, transparency, integrity and in full observance of laws and regulations. In this context, corruption is an intolerable impediment to the efficiency of business and to fair competition.
Among the various initiatives, Saipem has designed an "Anti-corruption Compliance Programme", a detailed system of regulations and controls for the purpose of preventing corruption, in line with international best practices and with the principle of "zero tolerance" expressed in the Code of Ethics.
In particular, Saipem's Code of Ethics (included in Model 231) establishes that *"corruption practices, illegitimate favours, collusion, solicitation, direct and/or through third parties of personal and career advantages for oneself or others, are without exception prohibited"*.
In particular, Saipem's "Anti-Corruption Compliance Programme" is dynamic and is constantly focused on the evolution of the national and international framework of regulations and best practices.
Over the course of the years, in a perspective of continuous improvement, the "Anti-Corruption Compliance Programme" has been constantly updated in line with the reference provisions (including among others the United Nations Convention against Corruption, the Organisation for Economic Co-operation and Development Convention on Combating the Bribery of Foreign Public Officials in International Business Transactions, Italian Legislative Decree No. 231 of June 8, 2001, the US Foreign Corrupt Practices Act, the UK Bribery Act and the French Sapin 2 law).
More specifically, the Board of Directors of Saipem SpA approved the "Anti-Corruption Management System Guideline" (Anti-Corruption MSG) on April 23, 2012. This repealed and replaced the previous Anti-Corruption Compliance Guidelines in order to optimise the compliance system in force. All the detailed anti-corruption procedures for specific risk areas were then updated (inter alia, the procedures for joint venture agreements, sponsorship, gifts, non-profit initiatives, vendors and consultants, relations with public administration and merger & acquisition operations).
In 2019, Saipem SpA issued the latest revision of the Anti-Corruption MSG which represents an improvement of the regulatory context of the "Anti-Corruption Compliance Programme" and of Saipem's Corporate Governance systems on Anti-Corruption issues.
The adoption and implementation of the aforementioned MSG are obligatory for Saipem SpA and all its subsidiaries.
All Saipem personnel are responsible for complying with the anti-corruption laws: for this reason all documents relating to this topic are easily accessible on the Company's website and intranet portal. In this context, a particularly important role is played by the managers, who are called upon to enforce observance of the anti-corruption procedures, also by their collaborators.
Furthermore, Saipem was among the first Italian companies to achieve the international certificate ISO 37001:2016 "Anti-bribery management systems". This certification, awarded by an independent accredited body, identifies a management standard that helps organisations in the fight against corruption, establishing a culture of integrity, transparency and compliance. The certification process, which included an audit phase that began in January 2018 and ended in April 2018, took into consideration such factors as the organisational structure, local presence, processes and services.

Aware that the primary element for developing an effective strategy to combat the phenomenon of corruption lies in fostering thorough knowledge of the tools for its prevention, Saipem considers the training activities and awareness-raising activities of paramount importance.
In confirming the strategic importance of training for promoting and disseminating knowledge on Compliance, Ethics and anti-corruption, Saipem made significant investments during the course of 2020 to guarantee a widespread and increasingly comprehensive supply of training.
In particular, in 2020, 24% of employees for the consolidated perimeter (20% for the Group perimeter) was trained on the subject, with a 46% increase in the number of employees trained compared to 2019); the training hours provided in this area increased by 43% compared to 2019, with a 43% increase for both perimeters in 2020 in the overall training hours provided in the reporting period.
The employees trained on the subject, when broken down by professional category, are: for the consolidated perimeter 30% of White Collars (27% for the Group perimeter), 48% Managers (45% for the Group perimeter), 49% Senior Managers (48% for the Group perimeter), finally Blue Collars, 0.2% for the consolidated perimeter (0.1% for the Group perimeter).
Moreover, the Internal Audit function of Saipem shall independently review and assess the internal control system in order to verify compliance with the requirements of the Anti-corruption MSG, on the basis of its own annual audit programme approved by the Board of Directors of Saipem SpA.
Any violation, alleged or confirmed, of the anti-corruption laws or procedures must be reported immediately via one of the channels indicated in the procedure "Whistleblowing reports received by Saipem and its subsidiaries", available on the Company website and intranet portal. Disciplinary measures are provided for people in Saipem who violate the anti-corruption regulations and omit to report violations that they are aware of.
In 2020, no confirmed cases of corruption were reported.

Saipem requests compliance by Business Partners with the applicable laws, including the anti-corruption laws pertinent to the business activities carried out with Saipem, and the commitment to follow the reference principles contained in the Anti-Corruption MSG.
It should also be noted that Saipem does not make direct or indirect contributions, in whatever form, to political parties, movements, committees, political organisations, or to their representatives and candidates. Direct or indirect contributions may be made to trade unions and their representatives, to the extent this is provided for by mandatory legislative requirements or applicable collective labour contracts.

COMPLIANCE TRAINING (number)



| | 2020 | |
|---|---|---|
| | Group total | Group consolidated |
| **Employees who have received training on compliance** | | |
| **For category of employees** | | |
| Blue collars | 18 | 18 |
| White collars | 4,702 | 4,700 |
| Managers | 2,081 | 2,081 |
| Senior managers | 191 | 191 |
| **For geographical area** | | |
| Americas | 450 | 450 |
| CIS | 188 | 188 |
| Europe | 4,017 | 4,017 |
| Middle East | 1,120 | 1,118 |
| North Africa | 87 | 87 |
| Sub-Saharan Africa | 683 | 683 |
| Far East | 447 | 477 |

## Reporting suspected violations

GRI 406-1

A fundamental part of Saipem's structured system for managing stakeholder complaints is the reporting management process ("whistleblowing") governed by a special Corporate Standard made available to all employees (through various means, among which the intranet and company notice boards) and external stakeholders (published on the Company's website).
The term "whistleblowing" refers to any information, new, fact or conduct which in any way is brought to the attention of Saipem staff regarding possible violations, behaviour and practices that do not conform to the provisions in the Code of Ethics and/or which may cause damage or injury to Saipem SpA (even if only to its image) or any of its subsidiaries, on the part of Saipem SpA employees, directors, officers, audit companies and its subsidiaries and third parties in a business relationship with these companies, in one or more of the following areas: the internal control system, accounting, internal accounting controls, auditing, fraud, administrative responsibilities under Legislative Decree No. 231/2001, and others (such as violations of the Code of Ethics, mobbing, theft, security, and so on). Saipem has prepared various channels of communication in order to facilitate the sending of reports, including, but not necessarily limited to, regular post, fax numbers, yellow boxes, e-mail, and communication tools on the intranet/internet sites of Saipem SpA and its subsidiaries. The Internal Audit function ensures that all appropriate controls are in place for any facts that have been reported, guaranteeing: (i) that these are carried out in the shortest time possible and respecting the completeness and accuracy of the investigation; (ii) the utmost confidentiality with methods suitable for protecting the person reporting. The investigations are composed of the following phases: (a) preliminary control; (b) verification; (c) audit; (d) monitoring of corrective actions. The Internal Audit prepares a quarterly report on reports received that, following examination by the Saipem Board of Statutory Auditors, is transmitted to the relevant people for suitable assessment.

The following were opened in 2020: 9 cases reporting discrimination issues, of which 5 are still open and 4 closed, 49 cases reporting worker's rights issues, of which 12 still open and the remaining 37 closed; 1 case reporting local community issues, closed during the year. All 59 cases were transmitted to the pertinent company bodies (Board of Auditors of Saipem SpA, Supervisory Board of Saipem SpA and the Compliance Committees of the companies affected by the reports).

With regard to the discrimination issues, with reference to the 4 closed cases, in all cases the competent company bodies decided to dismiss them on the basis of the investigation carried out, deeming that there was no violation of the Code of Ethics with reference to the facts reported, whilst violation was confirmed in 1 case, though without violation, corrective action was taken, in order to assess compliance with the Code of Ethics. It should also be noted that 4 discrimination cases reported in 2019 were closed in 2020; they were still open at the time of the last reporting. The 4 closed cases were deemed unfounded. With regard to these two cases, despite the absence of violations, corrective actions were identified which consisted in raising the awareness of the employees involved towards the correct application of the provisions of the internal procedures and to the adoption of a collaborative behaviour.

| (No.) | 2018 | 2019 | 2020 |
|---|---|---|---|
| **Number of cases reported** | | | |
| Total, of which: | 120 | 146 | 158 |
| - founded or partially founded | 17 | 27 | 38 |
| - unfounded | 64 | 73 | 92 |
| - open | 39 | 46 | 28 |

| (No.) | 2018 | 2019 | 2020 |
|---|---|---|---|
| **Files on cases of discrimination** | | | |
| Total, of which: | 13 | 9 | 9 |
| - founded or partially founded | - | 1 | - |
| - unfounded | 7 | 3 | 4 |
| - open | 6 | 5 | 5 |
| **Files in relation to workers' rights** | | | |
| Total, of which: | 49 | 56 | 49 |
| - founded or partially founded | 3 | 8 | 6 |
| - unfounded | 24 | 26 | 31 |
| - open | 22 | 22 | 12 |
| **Files regarding violations of the rights of local communities** | | | |
| Total, of which: | 2 | 1 | 1 |
| - founded or partially founded | - | - | - |
| - unfounded | 2 | 1 | 1 |
| - open | - | - | - |

The data is updated as of December 31, 2020.

With regard to the issues of workers' rights, with reference to the 37 closed cases, in 22 cases the competent company bodies decided to dismiss them on the basis of the investigation carried out, deeming that there was no violation of the Code of Ethics with reference to the facts reported, whilst violation was confirmed in 6 cases and in 9 cases, though without violation, corrective action was taken. The corrective actions were the following: awareness-raising activities on compliance with company processes, the evaluation of disciplinary measures of various nature, improvement of the company processes, the evaluation of measures against vendors of the Saipem Group, training activity relating to the contents of the Code of Ethics, surveys amongst employees and preparation of the necessary documents to close the employment relationship with a former employee.
It should also be noted that 20 workers' rights cases reported in 2019 were closed in 2020; they were still open at the time of the last reporting. Of the 20 cases that were closed, 11 were unfounded, while in 6 cases the violation was confirmed and in 3 cases, despite the absence of violations, corrective actions were identified. The corrective actions were the following: evaluation of disciplinary measures of various nature, improvement of company processes, evaluation of measures against vendors of the Saipem Group, awareness-raising activities for the correct application of the provisions of internal procedures and activities for the promotion of the principles underlying the Code of Ethics amongst employees.

As regards issues on the relations with local communities, with reference to the closed case, the competent company bodies decided to dismiss it on the basis of the investigations carried out, deeming that there was no violation of the Code of Ethics with reference to the facts reported. No corrective actions were implemented.

# GRI content index

## In accordance with GRI standards - Core option

**Legend of the documents**
**NFS20:** Consolidated Non-Financial Statement 2020
**AR20:** Annual Report 2020
**CG20:** Corporate Governance and Shareholding Structure Report 2020

## GRI 102: GENERAL DISCLOSURES 2016

| Disclosure | Section name and page number or link |
|---|---|
| **Organisation profile** | |
| 102-1 | Cover (AR20). |
| 102-2 | "Directors' Report", pages 16-31 (AR20). |
| 102-3 | Fourth cover (AR20). |
| 102-4 | Second cover (AR20). |
| 102-5 | Table "Information on shareholding structure", page 64 (CG20). |
| 102-6 | "Directors' Report", pages 12-31 (AR20). |
| 102-7 | "Company profile and key operations", pages 89-90 (NFS20); "Workforce trend", pages 136-138 (NFS20); "Letter to the Shareholders", pages 2-4 (AR20); "Financial and economic results", pages 32-39 (AR20). |
| 102-8 | "Workforce trends", pages 136-138 (NFS20). |
| 102-9 | "Social aspects", pages 126-136 (NFS20). |
| 102-10 | "Social aspects", pages 126-136 (NFS20). |
| 102-11 | "Company management and organisation model", pages 91-92 (NFS20). |
| 102-12 | "Business ethics", pages 147-152 (NFS20). |
| 102-13 | "Relations with stakeholders", pages 97-99 (NFS20); "Relations with institutions and trade associations", pages 100-101 (NFS20). |
| **Strategy** | |
| 102-14 | "Letter to the Shareholders", pages 2-4 (AR20). |
| **Ethics and Integrity** | |
| 102-16 | "Company management and organisation model", pages 91-92 (NFS20); second cover (AR20). |
| **Corporate Governance** | |
| 102-18 | "Governance of business sustainability", pages 102-103 (NFS20). |
| **Stakeholder engagement** | |
| 102-40<br>102-41<br>102-42<br>102-43<br>102-44 | "Methodology principles and reporting criteria", pages 83-88 (NFS20); "Company management and organisation model", pages 91-92 (NFS20); "Relations with stakeholders", pages 97-99 (NFS20); "A sustainable supply chain", pages 128-130 (NFS20); "Industrial relations", pages 142-144 (NFS20). |
| **Reporting practice** | |
| 102-45 | "Consolidation scope as of December 31, 2020", pages 195-199 (AR20). |
| 102-46<br>102-47<br>102-48<br>102-49<br>102-50 | "Methodology principles and reporting criteria", pages 83-88 (NFS20); "Consolidation scope as of December 31, 2020", pages 195-199 (AR20); "Changes in the scope of consolidation", page 200 (AR20). |
| 102-51 | "Consolidated non-financial statement" (NFS19), approved March 12, 2020. |
| 102-52 | "Methodology principles and reporting criteria", pages 83-88 (NFS20). |
| 102-53 | Inside back cover (AR20). |
| 102-54 | "Methodology principles and reporting criteria", pages 83-88 (NFS20). |
| 102-55 | "GRI content index", pages 153-157 (NFS20). |
| 102-56 | "Independent Auditors' Report", pages 158-161 (NFS20). |

## MATERIAL TOPICS

| Specific Standard | Section name and page number | Notes/Omissions |
|---|---|---|
| **GRI 201: Economic Performance 2016** | | |
| 103-1, 103-2 and 103-3 | "Methodology principles and reporting criteria", pages 83-88 (NFS20); "Our business", pages 89-101 (NFS20); "Our contribution to mitigating climate change", pages 112-117 (NFS20). | |
| 201-1: Direct economic value generated and distributed | "Economic value generated and distributed", page 94 (NFS20). | |

## MATERIAL TOPICS

| Specific Standard | Section name and page number | Notes/Omissions |
|---|---|---|
| **GRI 201: Economic Performance 2016** | | |
| 201-2: Financial implications and other risks and opportunities due to climate change | "Analysis of the climate-related scenario", pages 112-113 (NFS20); "Risks and opportunities", pages 8-12 (Leading the path to energy transition). | |
| 201-4: Financial assistance received from government | Note 42 "Obligations regarding transparency and disclosure. Italian Law August 4, 2017, No. 124 (Article 1, sections 125-129), page 282 (AR20). | |
| **GRI 202: Market Presence 2016** | | |
| 103-1, 103-2 and 103-3 | "Methodology principles and reporting criteria", pages 83-88 (NFS20); "Local presence", page 128 (NFS20). | |
| 202-2: Proportion of senior management hired from the local community | "Local presence", page 128 (NFS20). | |
| **GRI 203: Indirect Economic Impacts 2016** | | |
| 103-1, 103-2 and 103-3 | "Methodology principles and reporting criteria", pages 83-88 (NFS20); "Our business", pages 89-101 (NFS20). | |
| 203-1: Infrastructure investments and services supported | "Relations with stakeholders", pages 96-99 (NFS20). | |
| **GRI 204: Procurement Practices 2016** | | |
| 103-1, 103-2 and 103-3 | "Methodology principles and reporting criteria", pages 83-88 (NFS20); "Supply chain management", pages 92-93 (NFS20). | |
| 204-1: Proportion of spending on local suppliers | "Supply chain management", pages 92-93 (NFS20). | |
| **GRI 205: Anti-corruption 2016** | | |
| 103-1, 103-2 and 103-3 | "Methodology principles and reporting criteria", pages 83-88 (NFS20); "Business ethics", pages 147-152 (NFS20). | |
| 205-2: Communication and training about anti-corruption policies and procedures | "Fighting corruption", pages 149-151 (NFS20). | For more details on the training received by the Board of Directors please refer to the section "Training for the Board of Directors" of the "Corporate Governance and Shareholding Structure Report". |
| 205-3: Confirmed incidents of corruption and actions taken | "Fighting corruption", pages 149-151 (NFS20). | |
| **GRI 207: Tax 2019** | | |
| 103-1, 103-2 and 103-3 | "Methodology principles and reporting criteria", pages 83-88 (NFS20); "Our business", pages 89-101 (NFS20). | |
| 207-1, 207-2, 207-3 | "Methodology principles and reporting criteria", pages 83-88 (NFS20); "Tax transparency", pages 94-96 (NFS20). | |
| 207-4: Country-by-country reporting | "Tax transparency", pages 94-96 (NFS20). | |
| **GRI 302: Energy 2016** | | |
| 103-1, 103-2 and 103-3 | "Methodology principles and reporting criteria", pages 83-88 (NFS20); "Sustainable development partnerships", pages 90-91 (NFS20); "Our contribution to mitigating climate change", pages 112-117 (NFS20). | |
| 302-1: Energy consumption within the organisation | "Energy efficiency", pages 113-115 (NFS20). | The percentage of electrical energy produced from renewable sources and consumed by the Group depends on the individual national electricity mix. |
| 302-3: Energy intensity | "Energy efficiency", pages 113-115 (NFS20). | |
| 302-4: Reduction of energy consumption | "Energy efficiency", pages 113-115 (NFS20). | |
| **GRI 303: Water and Effluents 2018** | | |
| 103-1, 103-2 and 103-3 | "Methodology principles and reporting criteria", pages 83-88 (NFS20); "Protecting the environment and minimising environmental impacts", pages 118-126 (NFS20). | |
| 303-1, 303-2 | "Methodology principles and reporting criteria", pages 83-88 (NFS20); "Water resource management", pages 121-124 (NFS20). | |
| 303-3: Water withdrawal | "Water resource management", pages 121-124 (NFS20). | |

## MATERIAL TOPICS

| Specific Standard | Section name and page number | Notes/Omissions |
|---|---|---|
| **GRI 305: Emissions 2016** | | |
| 103-1, 103-2 and 103-3 | "Methodology principles and reporting criteria", pages 83-88 (NFS20); "Sustainable development partnerships", pages 90-91 (NFS20); "Our contribution to mitigating climate change", pages 112-117 (NFS20); "Protecting the environment and minimising environmental impacts", pages 118-126 (NFS20). | |
| 305-1: Direct (Scope 1) GHG emissions | "GHG emissions", pages 115-117 (NFS20). | |
| 305-2: Energy indirect (Scope 2) GHG emissions | "GHG emissions", pages 115-117 (NFS20). | |
| 305-3: Other indirect (Scope 3) GHG emissions | "GHG emissions", pages 115-117 (NFS20). | |
| 305-4: GHG emissions intensity | "GHG emissions", pages 115-117 (NFS20). | |
| 305-5: Reduction of GHG emissions | "GHG emissions", pages 115-117 (NFS20). | |
| 305-7: Nitrogen oxides ($NO_X$), sulfur oxides ($SO_X$), and other significant air emissions | "Preserving the air quality", pages 124-125 (NFS20). | |
| Reduction of air pollutant | "Preserving the air quality", pages 124-125 (NFS20). | |
| **GRI 306: Effluents and Waste 2016** | | |
| 103-1, 103-2 and 103-3 | "Methodology principles and reporting criteria", pages 83-88 (NFS20); "Sustainable development partnerships", pages 90-91 (NFS20); "Protecting the environment and minimising environmental impacts", pages 118-126 (NFS20). | |
| 306-3: Significant spills | "Spill prevention and response", pages 120-121 (NFS20). | |
| **GRI 306: Waste 2020** | | |
| 103-1, 103-2 and 103-3 | "Methodology principles and reporting criteria", pages 83-88 (NFS20); "Sustainable development partnerships", pages 90-91 (NFS20); "Protecting the environment and minimising environmental impacts", pages 118-126 (NFS20). | |
| 306-1, 306-2 | "Methodology principles and reporting criteria" pages 83-88 (NFS20); "Waste management", pages 125-126 (NFS20). | |
| 306-3: Waste generated | "Waste management", pages 125-126 (NFS20). | |
| 306-4: Waste diverted form disposal | "Waste management", pages 125-126 (NFS20). | |
| 306-5: Waste directed to disposal | "Waste management", pages 125-126 (NFS20). | |
| **GRI 308: Supplier Environmental Assessment 2016** | | |
| 103-1, 103-2 and 103-3 | "Methodology principles and reporting criteria", pages 83-88 (NFS20); "Social aspects", pages 126-136 (NFS20). | |
| 308-1: New suppliers that were screened using environmental criteria | "A sustainable supply chian", pages 128-130 (NFS20). | |
| **GRI 401: Employment 2016** | | |
| 103-1, 103-2 and 103-3 | "Methodology principles and reporting criteria", pages 83-88 (NFS20); "Human capital", pages 136-147 (NFS20). | |
| 401-2: Benefits provided to full-time employees | "Equal treatment and enhancement of differences", pages 145-146 (NFS20). | |
| **GRI 403: Occupational Health and Safety 2018** | | |
| 103-1, 103-2 and 103-3 | "Methodology principles and reporting criteria", pages 83-88 (NFS20); "Safeguarding the health and safety of people", pages 130-135 (NFS20). | |
| 403-1, 403-2, 403-3, 403-4, 403-5, 403-6, 403-7 | "Methodology principles and reporting criteria", pages 83-88 (NFS20); "Safeguarding the health and safety of people", pages 130-135 (NFS20). | |
| 403-9: Work- related injuries | "People safety", pages 130-134 (NFS20). | |
| 403-10: Work-related ill health | "Employee health", pages 134-136 (NFS20). | |
| **GRI 404: Training and education 2016** | | |
| 103-1, 103-2 and 103-3 | "Methodology principles and reporting criteria", pages 83-88 (NFS20); "Human capital", pages 136-147 (NFS20). | |
| 404-1: Average hours of training per year per employee | "Reverse Mentoring and training", pages 140-141 (NFS20). | |
| 404-3: Employees receiving regular performance and career development reviews | "Development of skills", pages 138-139 (NFS20). | |
| **GRI 405: Diversity and equal opportunity 2016** | | |
| 103-1, 103-2 and 103-3 | "Methodology principles and reporting criteria", pages 83-88 (NFS20); "Human capital", pages 136-147 (NFS20). | |
| 405-1: Diversity of governance bodies and employees | "Governance of business sustainability", page 102 (NFS20); "Equal treatment and enhancement of differences", pages 145-146 (NFS20). | |
| 405-2: Ratio of basic salary and remuneration of women to men | "Equal treatment and enhancement of differences", pages 145-146 (NFS20). | |

## MATERIAL TOPICS

| Specific Standard | Section name and page number | Notes/Omissions |
|---|---|---|
| **GRI 406: Non Discrimination 2016** | | |
| 103-1, 103-2 and 103-3 | "Methodology principles and reporting criteria", pages 83-88 (NFS20); "Business ethics", pages 147-152 (NFS20). | |
| 406-1: Incidents of discrimination and corrective actions taken | "Reporting suspected violations", pages 151-153 (NFS20). | |
| **GRI 407: Freedom of association and collective bargaining 2016** | | |
| 103-1, 103-2 and 103-3 | "Methodology principles and reporting criteria", pages 83-88 (NFS20); "Social aspects", pages 126-136 (NFS20); "Business ethics", pages 147-152 (NFS20). | |
| 407-1: Operations and suppliers in which the freedom of association and collective bargaining may be at risk | "Respect for human rights", pages 147-148 (NFS20). | |
| **GRI 408: Child Labour 2016** | | |
| 103-1, 103-2 and 103-3 | "Methodology principles and reporting criteria", pages 83-88 (NFS20); "Social aspects", pages 126-136 (NFS20); "Business ethics", pages 147-152 (NFS20). | |
| 408-1: Operations and suppliers at significant risk for incidents of child labor | "Respect for human rights", pages 147-148 (NFS20). | |
| **GRI 409: Forced and Compulsory Labor 2016** | | |
| 103-1, 103-2 and 103-3 | "Methodology principles and reporting criteria", pages 83-88 (NFS20); "Social aspects", pages 126-136 (NFS20); "Business ethics", pages 147-152 (NFS20). | |
| 409-1: Operations and suppliers at significant risk for incidents of forced or compulsory labor | "Respect for human rights", pages 147-148 (NFS20). | |
| **GRI 410: Security Practices 2016** | | |
| 103-1, 103-2 and 103-3 | "Methodology principles and reporting criteria", pages 83-88 (NFS20); "Business ethics", pages 147-152 (NFS20). | |
| 410-1: Security personnel trained in human rights policies or procedures | "Security practices", pages 117-118 (NFS20). | |
| **GRI 412: Human Rights Assessment 2016** | | |
| 103-1, 103-2 and 103-3 | "Methodology principles and reporting criteria", pages 83-88 (NFS20); "Social aspects", pages 126-136 (NFS20); "Business ethics", pages 147-152 (NFS20). | |
| 412-2: Employee training on human rights policies or procedures | "A sustainable supply chian", pages 128-130 (NFS20). | |
| 412-3: Investment agreements and contracts that include human rights clauses | "A sustainable supply chian", pages 128-130 (NFS20); "Security practices", pages 148-149 (NFS20). | |
| **GRI 413: Local Communities 2016** | | |
| 103-1, 103-2 and 103-3 | "Methodology principles and reporting criteria", pages 83-88 (NFS20); "Social aspects", pages 126-136 (NFS20). | |
| 413-2: Operations with significant actual and potential negative impacts on local communities | "Social aspects", pages 126-136 (NFS20). | |
| **GRI 414: Supplier Social Assessment 2016** | | |
| 103-1, 103-2 and 103-3 | "Methodology principles and reporting criteria", pages 83-88 (NFS20); "Social aspects", pages 126-136 (NFS20). | |
| 414-1: New suppliers that were screened using social criteria | "A sustainable supply chian", pages 128-130 (NFS20). | |
| **GRI 415: Public Policy 2016** | | |
| 103-1, 103-2 and 103-3 | "Methodology principles and reporting criteria", pages 83-88 (NFS20); "Business ethics", pages 147-152 (NFS20). | |
| 415-1: Political contributions | "Fighting corruption", pages 149-151 (NFS20). | |

## MATERIAL TOPICS

| Specific Standard | Section name and page number | Notes/Omissions |
|---|---|---|
| **Advanced technologies and innovations** | | |
| 103-1, 103-2 and 103-3 | “Methodology principles and reporting criteria”, pages 83-88 (NFS20); “Our contribution to mitigating climate change”, pages 112-117 (NFS20). | |
| Amount spent on decarbonisation R&D and technology application | “Technological innovation and digitalisation”, page 113 (NFS20). | |
| Number of signed cooperation/license agreements for energy decarbonisation projects | “Technological innovation and digitalisation”, page 113 (NFS20). | |
| Environmental product innovation | “Technological innovation and digitalisation”, page 113 (NFS20). | |
| **Artificial intelligence and digitalisation** | | |
| 103-1, 103-2 and 103-3 | “Methodology principles and reporting criteria”, pages 83-88 (NFS20); “Our contribution to mitigating climate change”, pages 112-117 (NFS20); “Technological innovation and digitalisation”, page 113 (NFS20). | |

# INDEPENDENT AUDITORS' REPORT

KPMG S.p.A.
Revisione e organizzazione contabile
Via Vittor Pisani, 25
20124 MILANO MI
Telefono +39 02 6763.1
Email it-fmauditaly@kpmg.it
PEC kpmgspa@pec.kpmg.it

**(Translation from the Italian original which remains the definitive version)**

## Independent auditors' report on the consolidated non-financial statement pursuant to article 3.10 of Legislative decree no. 254 of 30 December 2016 and article 5 of the Consob Regulation adopted with Resolution no. 20267 of 18 January 2018

*To the board of directors of*
*Saipem S.p.A.*

Pursuant to article 3.10 of Legislative decree no. 254 of 30 December 2016 (the "decree") and article 5 of the Consob (the Italian Commission for listed companies and the stock exchange) Regulation adopted with Resolution no. 20267 of 18 January 2018, we have been engaged to perform a limited assurance engagement on the 2020 consolidated non-financial statement of the Saipem Group (the "group") prepared in accordance with article 4 of the decree, presented in the specific section of the directors' report and approved by the board of directors on 12 March 2021 (the "NFS").

### *Responsibilities of the directors and board of statutory auditors ("Collegio Sindacale") of Saipem S.p.A. (the "parent") for the NFS*

The directors are responsible for the preparation of an NFS in accordance with articles 3 and 4 of the decree and the "Global Reporting Initiative Sustainability Reporting Standards" issued by GRI - Global Reporting Initiative (the "GRI Standards"), which they have identified as the reporting standards.

The directors are also responsible, within the terms established by the Italian law, for such internal control as they determine is necessary to enable the preparation of an NFS that is free from material misstatement, whether due to fraud or error.

Moreover, the directors are responsible for the identification of the content of the NFS, considering the aspects indicated in article 3.1 of the decree and the group's business and characteristics, to the extent necessary to enable an understanding of the group's business, performance, results and the impacts it generates.

*Saipem Group*
*Independent auditors' report*
*31 December 2020*

The directors' responsibility also includes the design of an internal model for the management and organisation of the group's activities, as well as, with reference to the aspects identified and disclosed in the NFS, the group's policies and the identification and management of the risks generated or borne.

The *Collegio Sindacale* is responsible for overseeing, within the terms established by the Italian law, compliance with the decree's provisions.

### *Auditors' independence and quality control*

We are independent in compliance with the independence and all other ethical requirements of the International Code of Ethics for Professional Accountants (including International Independence Standards, the IESBA Code) issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. Our company applies International Standard on Quality Control 1 (ISQC Italia 1) and, accordingly, maintains a system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

### *Auditors' responsibility*

Our responsibility is to express a conclusion, based on the procedures performed, about the compliance of the NFS with the requirements of the decree and the GRI Standards. We carried out our work in accordance with the criteria established by "International Standard on Assurance Engagements 3000 (revised) - Assurance Engagements other than Audits or Reviews of Historical Financial Information" ("ISAE 3000 revised"), issued by the International Auditing and Assurance Standards Board applicable to limited assurance engagements. This standard requires that we plan and perform the engagement to obtain limited assurance about whether the NFS is free from material misstatement. A limited assurance engagement is less in scope than a reasonable assurance engagement carried out in accordance with ISAE 3000 revised, and consequently does not enable us to obtain assurance that we would become aware of all significant matters and events that might be identified in a reasonable assurance engagement.

The procedures we performed on the NFS are based on our professional judgement and include inquiries, primarily of the parent's personnel responsible for the preparation of the information presented in the NFS, documental analyses, recalculations and other evidence gathering procedures, as appropriate.

Specifically, we carried out the following procedures:

1 Analysing the material aspects based on the group's business and characteristics disclosed in the NFS, in order to assess the reasonableness of the identification process adopted on the basis of the provisions of article 3 of the decree and taking into account the reporting standards applied.

*Saipem Group*
*Independent auditors' report*
*31 December 2020*

2 Analysing and assessing the identification criteria for the reporting scope, in order to check their compliance with the decree.

3 Comparing the financial disclosures presented in the NFS with those included in the group's consolidated financial statements.

4 Gaining an understanding of the following:

- the group's business management and organisational model, with reference to the management of the aspects set out in article 3 of the decree;
- the entity's policies in connection with the aspects set out in article 3 of the decree, the achieved results and the related key performance indicators;
- the main risks generated or borne in connection with the aspects set out in article 3 of the decree.

Moreover, we checked the above against the disclosures presented in the NFS and carried out the procedures described in point 5a).

5 Understanding the processes underlying the generation, recording and management of the significant qualitative and quantitative information disclosed in the NFS.

Specifically, we held interviews and discussions with the parent's management personnel. We also performed selected procedures on documentation to gather information on the processes and procedures used to gather, combine, process and transmit non-financial data and information to the office that prepares the NFS.

Furthermore, with respect to significant information, considering the group's business and characteristics:

- at group level,
  a) we held interviews and obtained supporting documentation to check the qualitative information presented in the NFS and, specifically, the business model, the policies applied and main risks for consistency with available evidence,
  b) we carried out analytical and limited procedures to check, on a sample basis, the correct aggregation of data in the quantitative information;
- through remote communication tools, we held discussions with personnel of the Duqm (Oman), Khurais (Kingdom of Saudi Arabia) and Saipem 10000 (port of Palermo) sites, which we have selected on the basis of their business, contribution to the key performance indicators at consolidated level and location, to obtain documentary evidence supporting the correct application of the procedures and methods used to calculate the indicators.

***Saipem Group***
*Independent auditors' report*
*31 December 2020*

## Conclusion

Based on the procedures performed, nothing has come to our attention that causes us to believe that the 2020 consolidated non-financial statement of the Saipem Group has not been prepared, in all material respects, in accordance with the requirements of articles 3 and 4 of the decree and the GRI Standards.

## Other matters

The NFS presents the corresponding figures included in the 2018 consolidated non-financial statement for comparative purposes, on which other auditors performed a limited assurance engagement and expressed an unqualified conclusion on 3 April 2019.

Milan, 7 April 2021

KPMG S.p.A.

(signed on the original)

Cristina Quarleri
Director of Audit

# SAIPEM
# CONSOLIDATED FINANCIAL STATEMENTS 2020

# Statement of financial position

| (€ million) | Note [1] | Dec. 31, 2019 Total | Dec. 31, 2019 of which with related parties [2] | Dec. 31, 2020 Total | Dec. 31, 2020 of which with related parties [2] |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| **Current assets** | | | | | |
| Cash and cash equivalents | (No. 7) | 2,272 | | 1,687 | |
| Financial assets measured at fair value through OCI | (No. 8) | 87 | | 68 | |
| Other financial assets | (No. 9) | 180 | 148 | 344 | 334 |
| Lease assets | (No. 16) | 8 | | 16 | |
| Trade receivables and other assets | (No. 10) | 2,601 | 813 | 1,991 | 578 |
| Inventories | (No. 11) | 303 | | 280 | |
| Contract assets | (No. 11) | 1,028 | | 1,295 | |
| Tax assets | (No. 12) | 251 | | 243 | |
| Other tax assets | (No. 12) | 167 | | 189 | |
| Other assets | (No. 13 and 25) | 115 | - | 298 | 14 |
| **Total current assets** | | **7,012** | | **6,411** | |
| **Non-current assets** | | | | | |
| Property, plant and equipment | (No. 14) | 4,129 | | 3,284 | |
| Intangible assets | (No. 15) | 698 | | 701 | |
| Right-of-Use assets | (No. 16) | 584 | | 288 | |
| Equity-accounted investments | (No. 17) | 133 | | 166 | |
| Other equity investments | (No. 17) | - | | - | |
| Other financial assets | (No. 9) | 69 | | 66 | |
| Lease assets | (No. 16) | 8 | | 51 | |
| Deferred tax assets | (No. 18) | 297 | | 240 | |
| Tax assets | (No. 12) | 24 | | 20 | |
| Other assets | (No. 13 and 25) | 55 | 1 | 35 | 1 |
| **Total non-current assets** | | **5,997** | | **4,851** | |
| Assets held for sale | (No. 26) | - | | - | |
| **TOTAL ASSETS** | | **13,009** | | **11,262** | |
| **LIABILITIES AND EQUITY** | | | | | |
| **Current liabilities** | | | | | |
| Current financial liabilities | (No. 21) | 164 | 1 | 257 | 1 |
| Current portion of non-current financial liabilities | (No. 21) | 244 | | 201 | |
| Current portion of non-current lease liabilities | (No. 16) | 149 | | 151 | |
| Trade payables and other liabilities | (No. 19) | 2,528 | 314 | 2,463 | 191 |
| Contract liabilities | (No. 19) | 1,848 | 432 | 1,616 | 638 |
| Tax liabilities | (No. 12) | 87 | | 44 | |
| Other tax liabilities | (No. 12) | 139 | | 136 | |
| Other liabilities | (No. 20 and 25) | 45 | | 35 | |
| **Total current liabilities** | | **5,204** | | **4,903** | |
| **Non-current liabilities** | | | | | |
| Non-current financial liabilities | (No. 21) | 2,670 | | 2,577 | |
| Non-current lease liabilities | (No. 16) | 477 | 3 | 270 | 2 |
| Provisions for risks and charges | (No. 23) | 253 | | 295 | |
| Employee benefits | (No. 24) | 246 | | 237 | |
| Deferred tax liabilities | (No. 18) | 6 | | 6 | |
| Tax liabilities | (No. 12) | 27 | | 24 | |
| Other liabilities | (No. 20 and 25) | 1 | | 2 | |
| **Total non-current liabilities** | | **3,680** | | **3,411** | |
| **TOTAL LIABILITIES** | | **8,884** | | **8,314** | |
| **EQUITY** | | | | | |
| Non-controlling interests | (No. 27) | 93 | | 25 | |
| Equity attributable to the owners of the parent: | (No. 27) | 4,032 | | 2,923 | |
| - share capital | (No. 27) | 2,191 | | 2,191 | |
| - share premium | (No. 27) | 553 | | 553 | |
| - other reserves | (No. 27) | (24) | | 14 | |
| - retained earnings | | 1,395 | | 1,387 | |
| - profit (loss) for the year | | 12 | | (1,136) | |
| - negative reserve for treasury shares in portfolio | (No. 27) | (95) | | (86) | |
| **Total equity** | | **4,125** | | **2,948** | |
| **TOTAL LIABILITIES AND EQUITY** | | **13,009** | | **11,262** | |

(1) The notes are an integral part of the consolidated financial statements.
(2) For an analysis of figures shown as "of which with related parties", see Note 38 "Related party transactions".

# Income statement

| (€ million) | Note | 2019 Total | 2019 of which with related parties [1] | 2020 Total | 2020 of which with related parties [1] |
|---|---|---|---|---|---|
| **REVENUE** | | | | | |
| Core business revenue | (No. 30) | 9,099 | 2,362 | 7,342 | 1,921 |
| Other income and revenue | (No. 30) | 19 | 1 | 66 | - |
| **Total revenue** | | **9,118** | | **7,408** | |
| **Operating expenses** | | | | | |
| Purchases, services and other costs | (No. 31) | (6,240) | (271) | (5,347) | (812) |
| Net reversals of impairment losses (impairment losses) on trade receivables and other assets | (No. 31) | (62) | | (7) | |
| Personnel expenses | (No. 31) | (1,670) | | (1,625) | |
| Depreciation, amortisation and impairment losses | (No. 31) | (690) | | (1,273) | |
| Other operating income (expense) | (No. 31) | - | | (1) | |
| **OPERATING PROFIT (LOSS)** | | **456** | | **(845)** | |
| **Financial income (expense)** | | | | | |
| Financial income | | 515 | 1 | 465 | 2 |
| Financial expense | | (643) | | (691) | |
| Derivative financial instruments | | (82) | | 60 | |
| **Net financial income (expense)** | (No. 32) | **(210)** | | **(166)** | |
| **Gains (losses) on equity investments** | | | | | |
| Share of profit (loss) of equity-accounted investees | | (18) | | 37 | |
| Other gains (losses) from equity investments | | - | | - | |
| **Net gains (losses) on equity investments** | (No. 33) | **(18)** | | **37** | |
| **PRE-TAX PROFIT (LOSS)** | | **228** | | **(974)** | |
| Income taxes | (No. 34) | (130) | | (143) | |
| **PROFIT (LOSS) FOR THE YEAR** | | **98** | | **(1,117)** | |
| Attributable to: | | | | | |
| - owners of the parent | | 12 | | (1,136) | |
| - non-controlling interests | (No. 35) | 86 | | 19 | |
| **Earnings (loss) per share attributable to owners of the parent** (€ per share) | | | | | |
| Basic earnings (loss) per share | (No. 36) | 0.01 | | (1.15) | |
| Diluted earnings (loss) per share | (No. 36) | 0.01 | | (1.15) | |

(1) For an analysis of figures shown as "of which with related parties", see Note 38 "Related party transactions".

# Statement of comprehensive income

| (€ million) | 2019 | 2020 |
|---|---|---|
| **Profit (loss) for the year** | **98** | **(1,117)** |
| **Other items of comprehensive income** | | |
| ***Items that will not be reclassified subsequently to profit or loss*** | | |
| Remeasurement of defined benefit plans for employees | (17) | (2) |
| Change in the fair value of equity investments measured at fair value through OCI | - | - |
| Share of other comprehensive income of equity-accounted investees relating to remeasurement of defined benefit plans | (1) | 1 |
| Income tax relating to items that will not be reclassified | 4 | 1 |
| ***Items that may be reclassified subsequently to profit or loss*** | | |
| Change in the fair value of cash flow hedges | 36 | 155 |
| Change in the fair value of financial assets, other than equity investments, measured at fair value through OCI | 1 | - |
| Exchange differences arising from the translation into euro of financial statements in currencies other than euro | 50 | (78) |
| Share of other comprehensive income of equity-accounted investees | - | - |
| Income tax relating to items that will be reclassified | (7) | (34) |
| **Total other comprehensive income (expense) net of taxation** | **66** | **43** |
| **Comprehensive income (expense) for the year** | **164** | **(1,074)** |
| Attributable to: | | |
| - owners of the parent | 76 | (1,090) |
| - non-controlling interests | 88 | 16 |

# Statement of changes in equity

| | Saipem shareholders' equity | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| (€ million) | Share capital | Share premium reserve | Other reserves | Legal reserve | Reserve for treasury shares | Fair value reserve (equity instruments) | Hedging reserve, net of tax | Fair value reserve (AFS financial assets (net of tax)) | Translation reserve | Actuarial reserve, net of tax | Retained earnings (losses) carried forward | Profit (loss) for the year | Negative reserve for treasury shares in portfolio | Total | Non-controlling interests | Total equity |
| **Balance as of December 31, 2017** | **2,191** | **1,049** | **2** | **88** | **-** | **1** | **41** | **(1)** | **(154)** | **(21)** | **1,786** | **(328)** | **(96)** | **4,558** | **41** | **4,599** |
| Changes to standards - Application of IFRS 9 | - | - | - | - | - | - | - | - | - | - | (28) | - | - | (28) | - | (28) |
| Changes to standards - Application of IFRS 15 | - | - | - | - | - | - | - | - | - | - | (20) | - | - | (20) | - | (20) |
| **Balance after changes to standards** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **(48)** | **-** | **-** | **(48)** | **-** | **(48)** |
| **Balance as of January 1, 2018** | **2,191** | **1,049** | **2** | **88** | **-** | **1** | **41** | **(1)** | **(154)** | **(21)** | **1,738** | **(328)** | **(96)** | **4,510** | **41** | **4,551** |
| **2018 profit (loss)** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **(472)** | **-** | **(472)** | **62** | **(410)** |
| **Other items of comprehensive income** | | | | | | | | | | | | | | | | |
| **Items that will not be reclassified subsequently to profit or loss** | | | | | | | | | | | | | | | | |
| Remeasurements of defined benefit plans for employees net of the tax effect | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Change in the fair value of equity investments measured at fair value through OCI | - | - | - | - | - | (1) | - | - | - | - | - | - | - | (1) | - | (1) |
| Share of other comprehensive income of equity-accounted investees relating to remeasurement of defined benefit plans for employees, net of tax | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| **Total** | **-** | **-** | **-** | **-** | **-** | **(1)** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **(1)** | **-** | **(1)** |
| **Items that may be reclassified subsequently to profit or loss** | | | | | | | | | | | | | | | | |
| Change in the fair value of cash flow hedging derivatives net of the tax effect | - | - | - | - | - | - | (82) | - | - | - | - | - | - | (82) | - | (82) |
| Change in the fair value of financial assets, other than equity investments, measured at fair value through OCI | - | - | - | - | - | - | - | (1) | - | - | - | - | - | (1) | - | (1) |
| Exchange differences of financial statements in currencies other than euro | - | - | - | - | - | - | - | - | 46 | - | (8) | - | - | 38 | 2 | 40 |
| Share of other comprehensive income of equity-accounted investees | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| **Total** | **-** | **-** | **-** | **-** | **-** | **-** | **(82)** | **(1)** | **46** | **-** | **(8)** | **-** | **-** | **(45)** | **2** | **(43)** |
| **Total comprehensive income (expense) for 2018** | **-** | **-** | **-** | **-** | **-** | **(1)** | **(82)** | **(1)** | **46** | **-** | **(8)** | **(472)** | **-** | **(518)** | **64** | **(454)** |
| **Owner transactions** | | | | | | | | | | | | | | | | |
| Dividend distribution | - | - | - | - | - | - | - | - | - | - | - | - | - | - | (8) | (8) |
| Retained earnings (losses) | - | (496) | - | - | - | - | - | - | - | - | 168 | 328 | - | - | - | - |
| Increase (reduction) of share capital | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Capitalisation of costs of share capital increase net of taxes | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Treasury shares repurchased | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Purchase of non-controlling interests | - | - | (41) | - | - | - | - | - | - | - | - | - | - | (41) | (23) | (64) |
| **Total** | **-** | **(496)** | **(41)** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **168** | **328** | **-** | **(41)** | **(31)** | **(72)** |
| **Other changes in equity** | | | | | | | | | | | | | | | | |
| Recognition of fair value of incentive plans | - | - | - | - | - | - | - | - | - | - | 14 | - | 1 | 15 | - | 15 |
| Other changes | - | - | - | - | - | - | 1 | (1) | 1 | - | (5) | - | - | (4) | - | (4) |
| Transactions with companies under common control | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| **Total** | **-** | **-** | **-** | **-** | **-** | **-** | **1** | **(1)** | **1** | **-** | **9** | **-** | **1** | **11** | **-** | **11** |
| **Balance as of December 31, 2018** | **2,191** | **553** | **(39)** | **88** | **-** | **-** | **(40)** | **(3)** | **(107)** | **(21)** | **1,907** | **(472)** | **(95)** | **3,962** | **74** | **4,036** |
| **2019 profit (loss)** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **12** | **-** | **12** | **86** | **98** |
| **Other items of comprehensive income** | | | | | | | | | | | | | | | | |
| **Items that will not be reclassified subsequently to profit or loss** | | | | | | | | | | | | | | | | |
| Remeasurements of defined benefit plans for employees net of the tax effect | - | - | - | - | - | - | - | - | - | (13) | - | - | - | (13) | - | (13) |
| Change in the fair value of equity investments measured at fair value through OCI | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Share of other comprehensive income of equity-accounted investees relating to remeasurement of defined benefit plans for employees, net of tax | - | - | - | - | - | - | - | - | - | (1) | - | - | - | (1) | - | (1) |
| **Total** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **(14)** | **-** | **-** | **-** | **(14)** | **-** | **(14)** |
| **Items that may be reclassified subsequently to profit or loss** | | | | | | | | | | | | | | | | |
| Change in the fair value of cash flow hedging derivatives net of the tax effect | - | - | - | - | - | - | 30 | - | - | - | - | - | - | 30 | - | 30 |

## cont'd **Statement of changes in equity**

| (€ million) | Saipem shareholders' equity | | | | | | | | | | | | | | Non-controlling interests | Total equity |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital | Share premium reserve | Other reserves | Legal reserve | Reserve for treasury shares | Fair value reserve (equity instruments) | Hedging reserve, net of tax | Fair value reserve (AFS financial assets (net of tax)) | Translation reserve | Actuarial reserve, net of tax | Retained earnings (losses) carried forward | Profit (loss) for the year | Negative reserve for treasury shares in portfolio | Total | | |
| Change in the fair value of financial assets, other than equity investments, measured at fair value through OCI | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Exchange differences of financial statements in currencies other than euro | - | - | - | - | - | - | - | - | 86 | - | (38) | - | - | 48 | 2 | 50 |
| Share of other comprehensive income of equity-accounted investees | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| **Total** | **-** | **-** | **-** | **-** | **-** | **-** | **30** | **-** | **86** | **-** | **(38)** | **-** | **-** | **78** | **2** | **80** |
| **Total comprehensive income (loss) for 2019** | **-** | **-** | **-** | **-** | **-** | **-** | **30** | **-** | **86** | **(14)** | **(38)** | **12** | **-** | **76** | **88** | **164** |
| **Owner transactions** | | | | | | | | | | | | | | | | |
| Dividend distribution | - | - | - | - | - | - | - | - | - | - | - | - | - | - | (62) | (62) |
| Retained earnings (losses) | - | - | - | - | - | - | - | - | - | - | (472) | 472 | - | - | - | - |
| Increase (reduction) of share capital | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Capitalisation of costs of share capital increase net of taxes | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Treasury shares repurchased | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Purchase of non-controlling interests | - | - | (7) | - | - | - | - | - | (1) | - | - | - | - | (8) | (7) | (15) |
| **Total** | **-** | **-** | **(7)** | **-** | **-** | **-** | **-** | **-** | **(1)** | **-** | **(472)** | **472** | **-** | **(8)** | **(69)** | **(77)** |
| **Other changes in equity** | | | | | | | | | | | | | | | | |
| Recognition of fair value of incentive plans | - | - | - | - | - | - | - | - | - | - | 2 | - | - | 2 | - | 2 |
| Other changes | - | - | - | - | - | - | - | 4 | 1 | (1) | (4) | - | - | - | - | - |
| Transactions with companies under common control | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| **Total** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **4** | **1** | **(1)** | **(2)** | **-** | **-** | **2** | **-** | **2** |
| **Balance as of December 31, 2019** | **2,191** | **553** | **(46)** | **88** | **-** | **-** | **(10)** | **1** | **(21)** | **(36)** | **1,395** | **12** | **(95)** | **4,032** | **93** | **4,125** |
| **2020 profit (loss)** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **(1,136)** | **-** | **(1,136)** | **19** | **(1,117)** |
| **Other items of comprehensive income** | | | | | | | | | | | | | | | | |
| **Items that will not be reclassified subsequently to profit or loss** | | | | | | | | | | | | | | | | |
| Remeasurements of defined benefit plans for employees net of the tax effect | - | - | - | - | - | - | - | - | - | (1) | - | - | - | (1) | - | (1) |
| Change in the fair value of equity investments measured at fair value through OCI | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Share of other comprehensive income of equity-accounted investees relating to remeasurement of defined benefit plans net of tax effects | - | - | - | - | - | - | - | - | - | 1 | - | - | - | 1 | - | 1 |
| **Total** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| **Items that may be reclassified subsequently to profit or loss** | | | | | | | | | | | | | | | | |
| Change in the fair value of cash flow hedging derivatives net of the tax effect | - | - | - | - | - | - | 121 | - | - | - | - | - | - | 121 | - | 121 |
| Change in the fair value of financial assets, other than equity investments, measured at fair value through OCI | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Exchange differences of financial statements in currencies other than euro | - | - | - | - | - | - | (4) | - | (76) | - | 5 | - | - | (75) | (3) | (78) |
| Share of other comprehensive income of equity-accounted investees | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| **Total** | **-** | **-** | **-** | **-** | **-** | **-** | **117** | **-** | **(76)** | **-** | **5** | **-** | **-** | **46** | **(3)** | **43** |
| **Total comprehensive income (loss) for 2020** | **-** | **-** | **-** | **-** | **-** | **-** | **117** | **-** | **(76)** | **-** | **5** | **(1,136)** | **-** | **(1,090)** | **16** | **(1,074)** |
| **Owner transactions** | | | | | | | | | | | | | | | | |
| Dividend distribution | - | - | - | - | - | - | - | - | - | - | - | (10) | - | (10) | (84) | (94) |
| Retained earnings (losses) | - | - | - | - | - | - | - | - | - | - | 2 | (2) | - | - | - | - |
| Increase (reduction) of share capital | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Capitalisation of costs of share capital increase net of taxes | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Treasury shares repurchased | - | - | - | - | - | - | - | - | - | - | - | - | (16) | (16) | - | (16) |
| Purchase of non-controlling interests | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| **Total** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **2** | **(12)** | **(16)** | **(26)** | **(84)** | **(110)** |
| **Other changes in equity** | | | | | | | | | | | | | | | | |
| Recognition of fair value of incentive plans | - | - | - | - | - | - | - | - | - | - | (15) | - | 25 | 10 | - | 10 |
| Other changes | - | - | - | - | - | - | - | - | (4) | 1 | - | - | - | (3) | - | (3) |
| Transactions with companies under common control | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| **Total** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **(4)** | **1** | **(15)** | **-** | **25** | **7** | **-** | **7** |
| **Balance as of December 31, 2020** | **2,191** | **553** | **(46)** | **88** | **-** | **-** | **107** | **1** | **(101)** | **(35)** | **1,387** | **(1,136)** | **(86)** | **2,923** | **25** | **2,948** |

## Statement of cash flows

| (€ million) | Note | 2019 | 2020 |
|---|---|---|---|
| Profit (loss) for the year | | 12 | (1,136) |
| Non-controlling interests | | 86 | 19 |
| Adjustments to reconcile the year profit (loss) to cash flows from operating activities: | | | |
| - depreciation and amortisation | (No. 31) | 615 | 591 |
| - net impairment losses (reversals of impairment losses) on property, plant and equipment, intangible assets and Right-of-Use assets | (No. 31) | 75 | 682 |
| - share of profit (loss) of equity-accounted investees | (No. 33) | 18 | (37) |
| - net (gains) losses on disposal of assets | | (2) | (8) |
| - interest income | | (6) | (5) |
| - interest expense | | 119 | 134 |
| - income taxes | (No. 34) | 130 | 143 |
| - other changes | | 153 | 87 |
| Changes in working capital: | | | |
| - inventories | | 2 | 15 |
| - trade receivables | | 92 | 412 |
| - trade payables | | (139) | 39 |
| - provisions for risks and charges | | (7) | 55 |
| - contract assets and contract liabilities | | 700 | (518) |
| - other assets and liabilities | | (337) | (75) |
| *Cash flow from working capital* | | *311* | *(72)* |
| Change in the provision for employee benefits | | 21 | (7) |
| Dividends received | | 6 | 3 |
| Interest received | | 5 | 4 |
| Interest paid | | (92) | (112) |
| Income taxes paid net of refunds of tax credits | | (194) | (163) |
| **Net cash flows from operating activities** | | **1,257** | **123** |
| *of which with related parties* (1) | (No. 38) | **2,441** | **1,429** |
| Investments: | | | |
| - property, plant and equipment | (No. 14) | (327) | (305) |
| - intangible assets | (No. 15) | (9) | (17) |
| - equity investments | (No. 17) | (45) | (4) |
| - securities for operating purposes | | - | - |
| - loan assets for operating purposes | | - | (1) |
| *Cash flows from investments* | | *(381)* | *(327)* |
| Disposals: | | | |
| - property, plant and equipment | | 9 | 16 |
| - out-of-scope entities and business units | | - | - |
| - equity investments | | 2 | - |
| - securities for operating purposes | | - | - |
| - loan assets for operating purposes | | - | 1 |
| *Cash flows from disposals* | | *11* | *17* |
| *Net variation of securities and loan assets not related to operations* | | *(146)* | *(153)* |

(1) For an analysis of figures shown as "of which with related parties", see Note 38 "Related party transactions".

## cont'd Statement of cash flows

| (€ million) | Note | 2019 | | 2020 | |
|---|---|---|---|---|---|
| **Net cash flows from investing activities** | | **(516)** | | **(463)** | |
| *of which with related parties* [1] | (No. 38) | | **(146)** | | **(186)** |
| Increase in non-current loans and borrowings | | 432 | | 146 | |
| Decrease in non-current loans and borrowings | | (389) | | (281) | |
| Decrease in lease liabilities | | (127) | | (126) | |
| Increase (decrease) in current loans and borrowings | | 83 | | 108 | |
| | | **(1)** | | **(153)** | |
| Net capital contributions by non-controlling interests | | - | | - | |
| Sale (repurchase) of additional interests in consolidated subsidiaries | | (15) | | - | |
| Dividend distribution | | (62) | | (69) | |
| Sale (repurchase) of treasury shares | | - | | (16) | |
| **Net cash flows from financing activities** | | **(78)** | | **(238)** | |
| *of which with related parties* [1] | (No. 38) | | **1** | | **-** |
| Effect of changes in consolidation scope | | - | | - | |
| Effect of exchange differences and other changes on cash and cash equivalents | | (65) | | (7) | |
| **Net variation in cash and cash equivalents** | | **598** | | **(585)** | |
| **Cash and cash equivalents - opening balance** | (No. 7) | **1,674** | | **2,272** | |
| **Cash and cash equivalents - closing balance** | (No. 7) | **2,272** | | **1,687** | |

(1) For an analysis of figures shown as "of which with related parties", see Note 38 "Related party transactions".

For reporting required by IAS 7, please refer to Note 21 "Financial liabilities".

# Index of Notes to the consolidated financial statements

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 1 Basis of presentation

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS)[1] issued by the International Accounting Standards Board (IASB) and adopted by the European Commission pursuant to Article 6 of EC Regulation No. 1606/2002 of the European Parliament and Council of July 19, 2002 and in accordance with Article 9 of Italian Legislative Decree No. 38/2005. The consolidated financial statements have been prepared on a going concern basis, applying the historical cost method, taking into account where appropriate, value adjustments except for certain items that under IFRS must be measured at fair value, as described in the accounting policies section.
The management and containment measures promptly adopted by the Group to address the crisis generated by the COVID-19 pandemic and the resulting changes in market conditions, allow the Directors to confirm that with respect to a period of time spanning at least twelve months from the approval of the Annual Report as of December 31, 2020, the going concern assumption underlying the annual consolidated financial statements as of December 31, 2020 is guaranteed. From a financial point of view, the measures adopted and the solid liquidity, strengthened by the lack of significant debt repayments before 2022 and the renewal, for another year, of the non-convertible bond issue programme, guarantee flexibility for tackling the general deterioration in conditions, laying down solid foundations for coping with the expected complexities. From an operational point of view, the business promptly launched adequate efficiency initiatives and a strategy entailing the repositioning of business between the various energy sectors; those actions, associated with an increased and diversified backlog that thanks to new acquisitions in 2020, has reached a record level compared to the previous year, allow the Group to face the challenges the new year brings.
For more information on the effects of the pandemic and efficiency initiatives put in place by the Group, see "Effects of COVID-19 on the basis of presentation including going concern" in Note 4 "Accounting estimates and significant judgements".
The consolidated financial statements as of December 31, 2020, approved by Saipem's Board of Directors on March 12, 2021 which approved its publication, audited by the independent auditors KPMG SpA, main auditor, fully responsible for auditing the Group's consolidated financial statements.
Amounts stated in financial statements and the notes thereto are in millions of euros.

## 2 Basis of consolidation and equity investments

Consolidated, non-consolidated and jointly controlled companies (interests in joint ventures and joint operations) and associates are indicated in the section "Consolidation scope". After this section, there follows a list detailing the changes that occurred in the consolidation scope from the previous year.
Financial statements of consolidated companies are audited by independent auditors, who also examine and certify the information required for the preparation of the consolidated financial statements.
Whether a company is classified as being controlled, jointly controlled or an affiliate, irrespective of the percentage of control, depends on the effective capacity or not of the shareholder to take decisions relating to the relevant activities of the company. Such decisions may be made autonomously or with the unanimous consent of the parties that share control; in other cases, a shareholder may have a significant influence but not necessarily control or joint control. The capacity to take decisions depends on the clauses in the relevant contractual arrangements and shareholder agreements.

### Subsidiaries

The consolidated financial statements include the financial statements of Saipem SpA and its Italian and foreign direct and indirect subsidiaries.
An investor controls an investee when it is exposed, or has rights, to variable returns of the investee and has the ability to affect those returns through its decision-making power over the investee. An investor has decision-making power when it has rights that give it the effective ability to direct the relevant the significant activities of the investee, i.e. the activities most likely to affect the investee's returns.
A number of subsidiaries performing only limited operating activities (considered on both an individual and an aggregate basis) have not been consolidated. Their non-consolidation does not have a material impact[2] on the correct representation of the Group's financial position and results of operations and cash flows for the year. These interests are accounted for as described in the following section "Equity method of accounting".

*(1) The IFRS also include the International Accounting Standards (IAS), which are still in force, as well as the interpretations issued by the IFRS Interpretations Committee (formerly known as the International Financial Reporting Interpretations Committee, or IFRIC, and before that, the Standing Interpretations Committee, or SIC).*
*(2) According to the IASB Conceptual Framework: "information is material if its omission, misstatement or concealment could influence the economic decisions of users taken on the basis of the financial statements".*

Subsidiaries' economic and financial values are included in the consolidated financial statements from the date on which control is transferred to the Group and up to the date on which control ceases, based on uniform accounting principles.
Fully-owned subsidiaries are consolidated on a line-by-line basis in the consolidated financial statements Assets and liabilities, and revenue and expenses related to fully consolidated companies are consolidated on a line-by-line basis in the consolidated financial statements The carrying amount of related equity investments is eliminated against the corresponding portion of their equity.
Equity and profit attributable to non-controlling interests are shown separately in the statement of financial position and income statement, respectively.
In the event that additional ownership interests in subsidiaries are purchased after the transfer of control (purchase of non-controlling interests), any difference between the acquisition price and the portion of acquired equity is recognised in equity attributable to the owners of the parent. The effects of disposals of ownership interests in a subsidiary that do not result in a loss of control are also recognised in equity.
Conversely, a disposal of interests that implies loss of control, triggers recognition in the income statement of: (i) any gains or losses calculated as the difference between the consideration received and the carrying amount of the share of net assets disposed of; (ii) any gains or losses attributable to the adjustment of any investment retained at its fair value; (iii) any amounts recognised in other comprehensive income in relation to the former subsidiary that may be reclassified subsequently to profit or loss[3]. Any investment retained in the former subsidiary is recognised at its fair value at the date when control is lost; it represents the new carrying amount of the investment and thus the reference value of the investment to be recognised subsequently, in accordance with the applicable measurement criteria.
If losses attributable to non-controlling interests in a consolidated subsidiary exceed the non-controlling interests in the subsidiary's equity, the excess and any further losses attributable to the non-controlling investors are borne by the controlling investors, except to the extent that the non-controlling investors have a binding obligation and are able to make an additional investment to cover the losses. If the subsidiary subsequently reports profits, such profits are allocated to the controlling investors until the non-controlling investors' share of losses previously absorbed by the controlling investors have been recovered.

### Joint arrangements

Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of all the parties sharing control.
A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Investments in joint ventures are accounted for using the equity method, as indicated in the section "Equity method of accounting".
A joint operation is an agreement that have joint control of the arrangement have rights to the assets and have obligations for the liabilities (so-called enforceable rights and obligations) relating to the agreement: the verification of the existence of enforceable rights and obligations requires the exercise of a complex judgement by the Top Management and is made taking into consideration the characteristics of the corporate structure, the agreements between the parties, as well as any other facts and circumstances that are relevant for the purposes of verification. Saipem's share of the assets, liabilities, revenues and expenses of joint operations is recognised in the consolidated financial statements on the basis of the actual rights and obligations arising from the contractual arrangements. After initial recognition, the assets, liabilities, revenues and expenses relating to a joint operation are accounted for in accordance with the applicable accounting standards. Joint operations, that are separate non-material legal entities, are accounted for using the equity method or, if this does not have a significant impact on total assets, liabilities, net financial position and results for the year, measured at cost, adjusted for impairment losses.

### Investments in associates

An associate is a company over which Saipem has significant influence, which is the power to participate in the financial and operating policy decisions of the investee without having control or joint control over it. Investments in associates are accounted for using the equity method, as indicated in the section, "Equity method of accounting".

### Equity method of accounting

Investments in unconsolidated subsidiaries, in joint ventures and in associates are accounted for using the equity method[4].
In accordance with the equity method of accounting, investments are initially recognised at purchase cost, including transaction costs. Any difference between the cost of the investment and the share of the fair value of the net identifiable assets of the investee is treated in the same way as for business combinations. The allocation, made on a provisional basis at the initial recognition date, can be adjusted, retroactively, within the following twelve months to take into account new information regarding facts and circumstances existing at the date of initial recognition. Subsequently, the carrying amount is adjusted to reflect: (i) the post-acquisition change in the investor's share of net profits of the investee; (ii) the investor's share of the investee's other comprehensive income. Shares of changes in the net assets of investees that are not recognised in profit or loss or other comprehensive income of the investee are recognised in the income statement when they reflect the substance and effect of a disposal of an interest in said investee. Dividends received from an investee reduce the carrying amount of the investment. In

*(3) Conversely, any amounts recognised in other comprehensive income in relation to the former subsidiary that may not be reclassified to profit or loss are transferred to retained earnings (losses).*
*(4) In the case of step acquisition of a significant influence (or joint control), the investment is recognised, at the acquisition date of significant influence (joint control), at the amount deriving from the use of the equity method as if it had been applied since initial acquisition; the "step-up" of the carrying amount of interests owned before the acquisition of significant influence (joint control) is reported in equity.*

accordance with the equity method, the adjustments required for the consolidation process are applied. When there is objective evidence of impairment (e.g. significant breaches of contracts, serious financial difficulties, the risk of insolvency of the counterparty, etc.), the recoverability is tested by comparing the carrying amount and the related recoverable amount determined adopting the criteria indicated in the item "Property, plant and equipment". The losses deriving from the application of the equity method exceeding the carrying amount of the investment, recorded in the income statement as item "Gains (losses) on equity investments", are allocated to any financial receivables granted to the investee whose repayment is not planned or it is not probable in the foreseeable future (the so-called long-term interest) and which basically represent a further investment in the company.
If it does not have a significant impact on the equity and financial position of the Group and its economic results, unconsolidated subsidiaries, joint ventures and associates are accounted for at cost, adjusted for impairment losses. When the impairment losses no longer exist, they are reversed and the reversal of the impairment losses is recognised in the income statement within "Other gains (losses) on equity investments".
A disposal of interests that results in a loss of joint control of or significant influence on the investee causes recognition in the income statement of: (i) any gains or losses calculated as the difference between the consideration received and the respective share of carrying amount disposed of; (ii) any gains or losses attributable to the adjustment of any investment retained at its fair value[5]; (iii) any amounts recognised in other comprehensive income in relation to the investee that may be reclassified subsequently to profit or loss[6]. Any investment retained in the investee is recognised at its fair value at the date when joint control or significant influence are lost; it represents the new carrying amount of the investment and thus the reference value of the investment to be recognised subsequently, in accordance with the applicable measurement criteria.
The investor's share of any losses of the investee exceeding the carrying amount of the investment and any long-term interest is recognised in a specific provision to the extent that investor is required to fulfil legal or implicit obligations towards the investee or to cover its losses.

## Business combinations

Specifically, if the contract provides for the acquisition of one (or more than one) input and of a substantial process that, together, contribute significantly to the ability to create an output, this can be defined as a business acquisition. On the contrary, lacking the set of conditions described above, the case is one of acquisition of a group of assets, which determines the capitalisation of the cost of their acquisition and their depreciation based on the provisions of IAS 16.
Business combination transactions are recognised using the acquisition method. The amount transferred in a business combination is determined at the date the controlling interest is acquired and is equivalent to the fair value of the assets transferred, of liabilities incurred or assumed, and of any equity instruments issued by the acquirer. Costs directly attributable to the transaction are recognised in the income statement when they are incurred.
The equity of investees is determined by attributing to each of the items of the financial position its fair value at the date on which control is acquired[7] except where IFRS provisions require otherwise. Any positive residual difference is recognised as goodwill. Negative residual differences are taken to the income statement.
In the case of partial control being obtained, the share of equity net of non-controlling interests is determined on the basis of the relevant share of current value attributed to assets and liabilities on the date on which control of the company was obtained, excluding any goodwill that can be attributed to the value (the so-called partial goodwill method). Alternatively, the entire amount of goodwill is recognised that was generated by the acquisition, thus considering also the share attributable to the non-controlling interests (the so-called full goodwill method); in the latter case the non-controlling interests are stated at their overall fair value, thus also including the goodwill of the non-controlling interests[8]. The choice of either the partial goodwill or the full goodwill method is made for each individual business combination.
Where control of a company is achieved in stages, the purchase cost is determined by adding the fair value of the previously held ownership interest and the consideration paid for the additional ownership interest. Any difference between the fair value of the previous ownership interest and its carrying amount is recognised in the income statement. In addition, when control of a company is obtained, any amounts previously recognised in other comprehensive income in relation to the company are taken to profit or loss. Amounts that may not be reclassified to profit or loss are recognised in other equity items.
Where provisional amounts have been recorded for the assets and liabilities of an acquiree during the reporting period in which a business combination occurs, these amounts are retrospectively adjusted within twelve months of the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date.
The acquisition of interests in a joint operation that represents a business is recognised, for applicable aspects, in the same way as provided for business combinations.

## Intra group transactions

Unrealised intercompany profit arising from transactions between consolidated companies is eliminated, as are intercompany receivables, payables, revenues and expenses, guarantees (including independent contract performance bonds), commitments and risks between consolidated companies. Unrealised profits resulting from transactions with equity-accounted investees are eliminated in proportion to the Group's interest. In both cases, intra group losses are not eliminated since they are considered an impairment indicator of the assets transferred.

*(5) If the investment retained continues to be measured using the equity method, it is not remeasured at fair value.*
*(6) Conversely, any amounts recognised in other comprehensive income in relation to the former joint venture or associate that may not be reclassified to profit or loss are transferred to retained earnings (losses).*
*(7) The criteria used for determining fair value are described in the section "Fair value measurement" below.*
*(8) The decision to apply the partial or full goodwill method is also made for business combinations where negative goodwill is taken to the income statement (i.e. a gain on bargain purchase).*

### Translation criteria

The financial statements of companies having a functional currency other than euro, which is the functional currency of the Group, are converted into euro applying: (i) closing spot rates for assets and liabilities; (ii) historical exchange rates to equity; (iii) the average rates for the period to the income statement and the cash flow statement (source: Banca d'Italia).
Exchange differences resulting from the translation of the financial statements of investees having a functional currency other than euro, and deriving from the application of different exchange rates for assets and liabilities, equity and the income statement, are recognised in equity under the item "Translation reserve" (included in "Other reserves") for the portion attributable to the owners of the parent[9].
Cumulative exchange differences are charged to the income statement when an investment is fully disposed of, i.e. when control, joint control or significant influence on the investee is lost. In such circumstances, the differences are taken to profit or loss under the item "Other gains (losses) on equity investments". In the event of a partial disposal that does not result in the loss of control, the portion of exchange differences relating to the interest sold is recognised under non-controlling interests in equity. In the event of a partial disposal that does not result in the loss of joint control or significant influence, the portion of exchange differences relating to the interest disposed of is taken to profit or loss. The repayment of the capital, carried out by a subsidiary having a functional currency other than euro, that does not result in a change in the equity investment held, entails charging the corresponding portion of the exchange rate differences to the income statement.
The financial statements translated into euros are those denominated in the functional currency, i.e. the local currency or the currency in which most financial transactions and assets and liabilities are denominated.
The exchange rates that have been applied for the translation of financial statements in foreign currencies are as follows:

| Currency | Exchange rate as of Dec. 31, 2019 | Exchange rate as of Dec. 31, 2020 | Average exchange rate 2020 |
|---|---|---|---|
| US Dollar | 1.1234 | 1.2271 | 1.1422 |
| British Pound Sterling | 0.8508 | 0.8990 | 0.8897 |
| Algerian Dinar | 133.8916 | 162.1071 | 144.8473 |
| Angolan Kwanza | 540.037 | 800.345 | 661.868 |
| Argentine Peso | 67.2749 | 103.2494 | 80.9218 |
| Australian Dollar | 1.5995 | 1.5896 | 1.6549 |
| Brazilian Real | 4.5157 | 6.3735 | 5.8943 |
| Canadian Dollar | 1.4598 | 1.5633 | 1.5300 |
| Croatian Kuna | 7.4395 | 7.5519 | 7.5384 |
| Egyptian Pound | 18.0192 | 19.3168 | 18.0654 |
| Ghanaian New Cedi | 6.4157 | 7.2047 | 6.5553 |
| Indian Rupee | 80.187 | 89.6605 | 84.6392 |
| Indonesian Rupee | 15,595.6 | 17,240.76 | 16,627.37 |
| Kazakhstanian Tenge | 429.51 | 517.04 | 473.00 |
| Malaysian Ringgit | 4.5953 | 4.934 | 4.7959 |
| Nigerian Naira | 344.3221 | 465.6845 | 407.4454 |
| Norwegian Kroner | 9.8638 | 10.4703 | 10.7228 |
| Peruvian New Sol | 3.7255 | 4.4426 | 3.9962 |
| Qatari Riyal | 4.0892 | 4.4666 | 4.1576 |
| Romanian New Leu | 4.783 | 4.8683 | 4.8383 |
| Russian Ruble | 69.9563 | 91.4671 | 82.7248 |
| Saudi Arabian Riyal | 4.2128 | 4.6016 | 4.2832 |
| Singapore Dollar | 1.5111 | 1.6218 | 1.5742 |
| Swiss Franc | 1.0854 | 1.0802 | 1.0705 |

## 3 Accounting policies

The main accounting policies used for the preparation of the consolidated financial statements are shown below.

### Cash and cash equivalents

Cash and cash equivalents include cash on hand, demand deposits and financial assets with original maturities of 90 days or less that are readily convertible to cash amounts and which are subject to an insignificant risk of changes in value.

*(9) The share of non-controlling interests in the cumulate exchange rate differences resulting from the translation of subsidiaries' financial statements having a functional currency other than the euro is recognised under "non-controlling interest" in equity.*

### Inventories

The inventories, excluding consumables intended for sale and project implementation – which do not go through inventory but are recorded in the income statement under direct contract costs – are measured considering the lower between purchase or production cost and net realisable value, which is the amount the Company expects to obtain from their sale in the ordinary course of business. The cost of inventories is determined by applying the weighted average cost method, while market value – given that the inventories are mainly spare parts – is taken as the lower of replacement cost or net realisable value.
Spare parts might be impaired (partially or entirely) in line with the rationalisation of the asset they refer to due to the total of reduced possibility of using them as indicated in the strategic plan. Audits are made periodically on items in storage that were last purchased (ageing date) more than five years ago for the purpose of justifying maintenance in inventory or impairing them to the income statement. Moreover, for materials not considered obsolete, last purchased more than five years ago, a provision for slow moving material has been allocated, with amounts which increase in percentage based on ageing.

### Contract assets and contract liabilities

Contract assets and liabilities from work in progress assessment are recognised on the basis of agreed contractual amounts determined with reasonable certainty with the customers, recognised in proportion to the progress of contract activity.
Given the nature of the contracts and the type of work, work progress is determined through the use of an input method based on the percentage of costs incurred with respect to the total contractually estimated costs (cost-to-cost method).
To correctly apply the economic effects of using this method on core business revenue, differences between amounts earned based on the stage of completion of projects and recognised revenue are included under contract assets from work in progress assessment if positive, or under contract liabilities from work in progress if negative.
In assessing the contract assets from work in progress assessment, account is taken of all the costs directly attributable to the contract, in addition to contractual risks, amendments with high probability of recognition, any incentives provided (when attainment of the agreed levels of service is highly probable and reliably determinable) and any fees deriving from legal disputes.
Requests for additional considerations deriving from a change in contractually agreed work (change orders) are included in the total amount of revenue when the customer has with high probability approved the scope and/or the price of the change. At the same time, other claims deriving, for example, from additional costs incurred for reasons attributable to the customer are included in the total amount of revenue only when they have a high probability of recognition by the counterparty in their scope and/or price.
Contractual advances paid in foreign currency by the customer are recognised at the exchange rate on the date of payment.
Contractual advances received by Saipem are part of normal operating practice; if advances recognised contemplate a greater percentage than that used in practice in the sector, any time value of money that leads to the presumption of a significant financial benefit granted by the customer is determined.

### Property, plant and equipment

Property, plant and equipment are recognised using the cost method and stated at their purchase or production cost including any ancillary costs directly attributable to bringing the asset into operation. In addition, when a substantial amount of time is required to make the asset ready for use, the purchase price or production cost includes borrowing costs that theoretically would have been avoided for that amount of time had the investment not been made.
Revaluation of property, plant and equipment is not allowed, not even in application of specific laws. The exception is for property, plant and equipment which were impaired in previous years, as better explained below.
Expenditures on renewals, improvements and transformations that extend the useful lives of the related asset are capitalised when it is likely that they will increase the future economic benefits expected from the asset. Also items purchased for safety or environmental reasons are capitalised, even if they do not directly increase the future economic benefits of the existing assets, as they are necessary for carrying out Group's operations.
The costs of cyclical maintenance incurred for the purpose of obtaining periodical class certification of naval vessels are capitalised, as they have a useful life of several years (generally five years). The useful life of parts subject to cyclical maintenance (and possible replacement), and the relative depreciation schedule are coherent with the planned frequency of periodical inspections.
Depreciation of property, plant and equipment begins when the asset is ready for use, in other words when it is in the place and in the conditions necessary for it to be able to operate according to the planned modalities.
Property, plant and equipment are depreciated systematically using a straight-line method over their useful life, which is an estimate of the period over which the assets will be used by the entity. When the property, plant or equipment comprises more than one significant part with different useful lives, each component is depreciated separately. The depreciable amount of an asset is its carrying amount less the estimated net disposal value at the end of its useful life, if this value is significant and can be reasonably determined. Land is not depreciated, even where purchased with a building. Property, plant and equipment held for sale are not depreciated either (see "Assets held for sale and discontinued operations"). Changes to depreciation schedules related to a review of the expected useful life of an asset, the net residual value or the expected pattern of consumption of the future economic benefits flowing from an asset are recognised in the income statement in the year they occur.
All parts of the vessels have been depreciated along the same useful life as determined on the basis of independent reporting by technical experts. The decision to consider the same useful life for all parts of the vessels is based on the fact that the main parts are subject to periodical activities of cyclical maintenance.
Cyclical maintenance carried out near the end of the useful life of a vessel extends its life (and thus require reprogramming of depreciation on the residual value) for as long as the useful life of the last cyclical maintenance.
Replacement costs of identifiable components in complex assets are capitalised and depreciated over their useful life. The residual carrying amount of the part that has been replaced is charged to the income statement.
Improvements to leased assets are depreciated over the useful life of the improvements or, if shorter, over the residual lease term, taking into account the possible period of renewal if the renewal depends only on the lessor and is theoretically certain. Ordinary

maintenance and repair expenses, not including the replacement of identifiable parts and that restore but do not increase the performance of the assets, are charged to the income statement for the year in which the expenses are incurred.
When events occur that indicate an impairment of value of property, plant and equipment, their recoverability is assessed by comparing their carrying amount with the relative recoverable amount represented by the higher of the fair value less disposal costs and the value in use. The assessment is carried out for each cash-generating unit (CGU) corresponding to a single asset or to the smallest identifiable group of assets that generates independent cash inflows from their continuous use.
Value in use is determined by discounting to present value the expected cash flows from the use of the CGU and, if significant and reasonably determinable, from its disposal at the end of its useful life, net of costs to sell. Expected cash flows are determined, taking also into account actual results, on the basis of reasonable and documented assumptions that represent the best estimate of the future economic conditions during the remaining useful life of the CGU, giving more importance to independent assumptions while taking into account the specificities of Saipem's business. Discounting is carried out at a rate that reflects current market assessments of the time value of money and the risks specific to the asset that are not reflected in the estimate of future cash flows. Please note that where appropriate, the specific incremental component of so-called "country risk" is included in the estimate of expected cash flows. Specifically, the discount rate used is the Weighted Average Cost of Capital (WACC) defined on the basis of the Capital Asset Pricing Model (CAPM) methodology. Following the adoption of the new strategic approach and the resulting change to the organisational model (approved by the Board of Directors in July 2018), the WACC is estimated for the specific business segments to which the single CGUs belong.
Value in use is determined using post-tax cash flows, discounted at a post-tax discount rate as this method produces outcomes which are equivalent to those resulting from discounting pre-tax cash flows at a pre-tax discount rate deriving, through an iteration process, from a post-tax valuation.
In absence of impairment indicators and, at the same time, in presence of indicators suggesting that the reasons for past impairment ceased to exist, the value of the assets is restored to the income statement as income from revaluation (reversal of impairment loss). The value of the asset is reversed to the lower of the recoverable amount and the original carrying amount before previous impairment losses, less the depreciation rates that would have been charged had no impairment loss been recognised.
Property, plant and equipment are eliminated from the accounts when they are disposed of through alienation or write-off; the relative profit or loss is reported in the income statement.
Property, plant and equipment destined for specific operating projects, for which no further future use is envisaged due to the characteristics of the asset itself or the high usage sustained during the execution of the project, are depreciated over the duration of the project.

### Leases

When a contract configured as a lease agreement is initially recognised, an assessment is made of whether it meets the requirements to be truly considered as a lease or whether it nevertheless contains a lease agreement. The contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration.
It is defined a single model of recognition of lease contracts based on the recognition by the lessee of a "Right-of-Use" asset for an underlying leased asset and a lease liability representing its obligation to make lease payments provided by the contract ('Lease Liability').
The "Right-of-Use" asset at the commencement date, the date on which the asset is made available for use, is initially measured at cost and derives from the sum of the following components:

- the initial measurement of the "Lease Liability";
- any lease payments made at or before the commencement date, less any lease incentives received;
- initial direct costs incurred by the lessee;
- the estimate of the costs that the lessee expects to incur for the dismantling and removal of the underlying asset and for the restoration of the site in which it is located or for the restoration of the underlying asset to the conditions required by the terms and conditions of the lease.

After initial recognition, the "Right-of-Use" asset is reduced by accumulated depreciation, any impairment losses and the effects associated with any remeasurement of the "Lease Liability".
Depreciation rates are constant and are applied over the lease term, taking into account renewal/termination options which are highly probable for the year. Only if the lease provides for the exercise of a reasonably certain purchase option is the "Right-of-Use" asset depreciated systematically over the useful life of the underlying asset.
In the presence of sublease contracts, the lessee as an intermediate lessor must classify the sub-lease as an operating lease if the head lease is short-term, recognising the relative revenue in the income statement. Otherwise, it is classified with reference to the "Right-of-Use" asset deriving from the head lease, rather than making reference to the underlying asset, or with reference to the duration of the sub lease contract: if it covers most or all of the duration of the head lease, the sublease is considered to be a finance lease, accounting for a receivable to replace, totally or partially, the "Right-of-Use" asset arising from the head lease.
The "Lease Liability" is initially measured at the present value of the lease payments not yet made at the commencement date, which include:

- fixed payments that will be paid with reasonable certainty, less any lease incentives receivable;
- variable payments due that depend on an index or a rate (variable payments such as fees based on the use of the leased asset, are not included in the lease, but are recognised in the income statement as operating costs over the lease term);
- any amounts that are expected to be paid under residual guarantees;
- the exercise price of the purchase option, if the lessee is reasonably certain to exercise this option;
- penalty payments for termination of the lease, if the lessee is reasonably certain to exercise this option.

The present value of the aforementioned lease payments is calculated by adopting a discount rate equal to the interest rate implicit in the lease or, if this is not readily determined, using the incremental borrowing rate of the lessee. The incremental borrowing rate of the lessee is defined by taking into account the intervals and duration of the payments provided for in the lease contract, the currency in which they are denominated and the characteristics of the lessee's economic environment.
After initial recognition, the "Lease Liability" is measured at amortised cost (i.e. increasing its carrying amount to take into account the interest on the liability and decreasing it to take into account the payments made) using the effective interest rate and is remeasured as an adjustment to the related "Right-of-Use" asset, to take into account any changes to the lease following contractual renegotiations, changes in indices or rates, changes relating to the exercise of contractually envisaged options for renewal, early withdrawal or purchase of the leased asset.
Leases are classified as operating leases with limited exceptions (recognition of the lease payments as an expense on a straight-line basis for leases that qualify as "short term" or "low value").
For the lessor's financial statements, the distinction between operating and financial leases is maintained.
The accounting of lease contracts requires the lessee to derecognised:

- in the statement of financial position: (i) the "Right-of-Use" assets, recognised by Saipem in the specific item "Right-of-Use of leased assets" distinct from property, plant and equipment, and intangible assets, and divided by class of asset in the Notes to the financial statements, and receivables related to finance subleases recorded by Saipem in the specific item "Lease assets"; (ii) the financial liabilities relating to the obligation to make the payments envisaged by the contract ("Lease Liabilities"), recorded by Saipem in the specific item "Lease liabilities", dividing the amount between the non-current and current portions;
- in the income statement: (i) of the depreciation and amortisation of the "Right-of-Use" assets (within the operating expenses) subdivided by class of asset in the Notes to the financial statement and of the interest expense accrued on the Lease Liability (in the financial section). The income statement also includes the lease payments that meet short-term and low-value requirements and variable payments linked to the use of assets, not included in determining the "Right-of-Use" assets/lease liabilities;
- the following effects are presented in the statement of cash flows: (a) a modification of the net cash flows from operating activities that includes disbursements for interest paid on the "Lease Liability"; (b) a modification of the net cash flows from financing activities that includes disbursement connected with repayment of the principal amount of the Lease Liability.

The main contracts relating to leased assets linked to specific categories of assets that concern most of the companies in the Group are as follows:

- vessels for the performance of projects by the Offshore Engineering & Drilling Division;
- lease contracts for real estate;
- industrial areas and construction yards in support of the projects of the Onshore Engineering & Construction Division;
- equipment in support of the projects of the Onshore Engineering & Construction Division;
- vehicles and office machines.

Relative to contracts for services stipulated by Group companies, an in-depth analysis is made to identify any possible "embedded leases".

### Intangible assets

Intangible assets are identifiable assets without physical substance, controlled by the entity and capable of producing future economic benefits, and goodwill. An intangible asset is identifiable when it can be distinguished from goodwill. This condition is normally met when: (i) the intangible asset arises from legal or contractual rights, or (ii) the asset is separable, i.e. can be sold, transferred, licensed, rented or exchanged, either individually or as an integral part of other assets. An entity controls an intangible asset if it has the power to obtain the future economic benefits deriving from the asset and to restrict the access of others to those benefits. Intangible assets are stated at purchase or production cost as determined with the criteria used for property, plant and equipment.
Revaluation of intangible assets is not allowed, not even in application of specific laws.
Intangible assets with a finite useful life are amortised systematically over their useful life, which is an estimate of the period over which the assets will be used by the entity. The amount to be amortised and the recoverability of their carrying amount are determined in accordance with the criteria described in the section "Property, plant and equipment".
Goodwill and other intangible assets with an indefinite useful life are not amortised. The recoverability of their carrying amount is tested at least annually and whenever events occur indicating a reduction in their value.
Goodwill is tested for impairment at the level of the CGU to which goodwill relates. The CGU is the smallest group of assets (including goodwill itself) that generates cash inflows and outflows that are largely independent of the cash flows from other assets or groups of assets and on the basis of which the Top Management assesses the profitability of the business. If the carrying amount of the CGU, including goodwill allocated thereto, determined by taking into account any impairment of current and non-current assets that are part of the CGU, exceeds the CGU's recoverable amount[10], the excess is recognised as impairment. The impairment loss is first allocated to reduce the carrying amount of goodwill. Any remaining excess is allocated on a pro-rata basis to the carrying amount of the other assets with a finite useful life that form the CGU. Impairment losses against goodwill may not be reversed[11].
Intangible assets are derecognised at the moment of their alienation through disposal or write-off; the relative profit or loss is reported in the income statement.

*(10) For the definition of recoverable amount see "Property, plant and equipment".*
*(11) Impairment losses reported for an interim period are not reversed even if no loss, or a smaller loss, would have been recognised had the impairment been assessed based on the conditions of a subsequent interim period.*

### Costs of technological development activities

Costs of technological development activities are capitalised when the entity can demonstrate:

(a) that it has the technical capacity to complete the intangible asset and use it or sell it;
(b) that it has the intention to complete the intangible asset and make it available for use or sale;
(c) that it has the capacity to use or sell the intangible asset;
(d) how the intangible asset may produce future economic benefits;
(e) that the technical, financial and other resources are available to complete development of the intangible asset and for its use or disposal;
(f) that it can reliably assess the cost attributable to the intangible asset during development.

### Grants

Grants related to assets are systematically recorded in the income statement as a reduction of the purchase price or production cost of the related assets when there is reasonable assurance that the required conditions attached to them will be met, based on their useful life.
Grants related to income are recognised in the income statement over the periods necessary to match them with the related costs which they are intended to compensate.

### Financial assets

Based on the characteristics of the instrument and on the business model adopted in their management, financial assets are classified as follows: (i) financial assets measured at amortised cost; (ii) financial assets measured at fair value with changes recognised under other items of comprehensive income (hereinafter also "Other Comprehensive Income" or OCI); (iii) financial assets measured at fair value with changes recognised in the income statement. Subsequent to the initial recognition, their classification is maintained, unless the Group changes its business model for their management.
The initial recognition is made at fair value, net of the costs directly related to the acquisition or issue of the financial asset. For trade receivables lacking a significant financial component, the initial valuation is represented by the transaction price.
Subsequent to the initial recognition, the financial assets that generate contractual cash flows exclusively representative of payments of capital and interest are valued at the amortised cost if such assets are held for the purpose of collecting the cash flows contractually agreed (so-called business model of "held to collect").
The application of the amortised cost method requires then the recognition in the income statement of the interest income, determined on the basis of the effective interest rate, of the exchange rate differences and of any possible write-downs[12] (see section "Write-down of financial assets").
On the other hand, financial assets representative of debt instruments whose business model provides for the possibility of either collecting the contractual cash flows or realising capital gains from sale ("held to collect and sell" business model) are valued at the fair value with attribution of the effects to "OCI" (hereafter also FVTOCI). In this case, recognition is made as follows: (i) in the income statement are recognised the interest income, calculated using the effective interest rate, the exchange rate differences and the write-downs (see "Write-down of financial assets"); (ii) in equity under OCI is recognised the variation of fair value of the instrument. The total amount of the variations of fair value, recognised under the equity reserve that includes other comprehensive income, is reversed to the income statement upon derecognition of the instrument.
A financial asset representative of a debt instrument which has not been evaluated at the amortised cost or at FVTOCI is evaluated at fair value with attribution of the effects to profit or loss (hereafter FVTPL); financial assets held for trading pertain to this category. Accrued interest income on financial assets held for trading is included in the total fair value measurement of the instrument and is recognised as "Financial income (expense)"

### Impairment losses on financial assets

The assessment of the recoverability of financial assets representative of debt instruments not evaluated at fair value with effects to the income statement is made on the basis of the so-called "expected credit loss model".
In particular, the expected losses are generally determined on the basis of the product between: (i) the exposure claimed toward the counterparty net of the relative mitigations (so-called Exposure at Default or EAD); (ii) the probability that the counterparty will not fulfil its payment obligations (so-called Probability of Default or PD); (iii) the estimated percentage of the exposure that will not be recovered in case of counterparty default (so-called Loss Given Default or LGD).
The management model adopted by the Group envisages the simplified approach for trade receivables as they do not contain a significant financial component. This approach requires the valuation of the provision to cover losses for an amount equal to the expected losses over the entire life of the receivable. This approach uses the probability of customer default for the quantification of expected credit losses, based on observable market data and on assessments collected by info-providers. Alongside the allocations made to the loss allowance after reviewing each past due receivable, which effectively already discounts a prospective view of the projects, an assessment is made of the creditworthiness of the customer. This assessment is performed at Corporate level on the portfolio of performing exposure and on receivables that are past due by no more than twelve months and is communicated to the companies to enable them to quantify and recognise the effects in their interim reporting.
Specifically, the Saipem model operates as follows:

- the Exposure at Default (EAD) of Saipem comprehends trade receivables (including allocations) and contract works and considers the effects of mitigation capable of reducing the exposure (debit items that can be used to compensate, advance payments, etc.), excluding in particular disputed receivables from the calculation as subject to specific technical-legal valuations. Receivables of a financial nature (securities and bonds held by the Group and valued at the amortised cost), as well as cash on hand, are also included in the assessment;

*(12) Receivables and other financial assets valued at the amortised cost are reported net of the write-down allowance.*

- with regard to identification of the time of Default, the methodology determines it conventionally as the lesser between the date in which the customer's insolvency is declared and the term of 365 days from the receivable due date. This term is coherent with the dynamics of the active business cycle of contract works in which Saipem operates;
- the Probability of Default (PD) is calculated on the observable market data (credit spread on bond issues, Credit Default Swaps, etc.) gathered by qualified info-providers. It is considered equal to 100% at the time of Default;
- to quantify the Loss Given Default (LGD), the approach applied is based on the market standards which consider the Recovery Ratio (RR) 40% of the exposure; it follows that the LGD is calibrated at (100%-RR) that is (100%-40%) → 60%.

Trade receivables and other receivables are presented in the statement of financial position net of the relative write-down allowance. Write-downs of these receivables are recognised in the income statement, net of any reversal of value, under "Net reversals of impairment losses (write-downs) on trade receivables and other assets".

### Non-controlling interest

Financial assets representative of non-controlling investments, as they are not held for purposes of trading, are valued at fair value with assignment of the effects to the equity reserve relating to components of other comprehensive income, without providing for their reassignment to the income statement in case of sale; on the other hand, any dividends deriving from those investments are recognised to the income statement under the heading of "Gains (losses) on equity investments". Assessment at cost of a non-controlling equity investment is permitted in the limited cases in which the cost is an adequate estimate of the fair value.

### Derivative financial instruments and hedge accounting

A derivative is a financial instrument which has the following characteristics: (i) its value changes in response the changes in a specified interest rate, price of a security or asset, exchange rate, a price or rate index, a credit rating or other variable; (ii) it requires no or little minimal net investment; (iii) it is settled at a future date.
Derivative financial instruments, including embedded derivatives that are separated from the host contract, are assets and liabilities recognised at their fair value.
Consistently with the economic reason underlying the hedging, Saipem classifies derivatives as hedging instruments whenever possible. The fair value of derivative financial instruments incorporates the adjustments that reflect the non-performance risk of the counterparties of the transaction (see next section "Fair value measurement"). The designation of fair value as hedging instruments in derivative contracts excludes such adjustments and is limited to the spot component of the contract.
In particular, the companies of the Group enter into the intercompany derivatives with Saipem Finance International BV (SAFI) with the objective of hedging the exchange rate risk arising from future and highly probable revenue and costs in foreign currency. SAFI, on its side, in an operational optimisation perspective, performs a role of consolidation and netting of the required derivatives and proceeds with their negotiation on the market.
The intragroup derivatives negotiated by the companies with SAFI are considered cash flow hedges for highly probable forecast transactions whenever the conditions are met for the application of hedge accounting. The hedged item is identified in the revenue and costs in the contract's currency.
As part of the strategy and goals defined for risk management, the qualification of operations as hedges requires: (i) the existence of an economic relationship between the hedged item and the hedging instrument; (ii) that credit risk effect is not prevailing on value changes resulting from the economic relationship; (iii) the definition of a hedge ratio coherent with the objectives of risk management, in the frame of the defined risk management strategy, providing where necessary for the appropriate rebalancing actions.
A change in the risk management objectives or the elimination of the conditions outlined above for hedge accounting qualification, will result in the prospective termination, either total or partial, of the hedge.
When the derivatives are aimed at hedging the risk of changes in cash flows of the hedged item (cash flow hedge; for example hedging the variability in cash flows of assets/liabilities due to exchange rate fluctuations), the changes in the fair value of the derivatives considered effective, limited to the spot component of the contracts, are initially recognised in the equity reserve pertaining to the other items of comprehensive income and are subsequently recognised in the income statement according to the economic effects of the hedged item.
Derivative financial instruments are also adopted by the Saipem Group to hedge the risk arising from the expected purchase of commodities as part of project activities and the interest rate risk arising from loans negotiated at variable rate.
Even in these cases, when possible, Saipem designates these derivative financial instruments as cash flow hedges which fair value is initially recorded in the equity reserve relating to other comprehensive income, then subsequently reclassified to the income statement consistently with the economic effects of the hedged item.
Changes in the fair value of derivatives which do not satisfy the conditions for being qualified as hedges, including any ineffective components of hedging derivatives, are recognised in the income statement. Specifically, changes in the fair value of non-hedging interest rate and foreign currency derivatives are recognised in the income statement under "Financial income (expense)"; conversely, changes in the fair value of non-hedging commodity derivatives are recognised in the income statement under "Other operating income (expense)".

### Assets held for sale and discontinued operations

Non-current assets and current and non-current assets included within disposal groups, whose carrying amount will be recovered principally through a sale transaction rather than through their continuing use, are classified as held for sale. This condition is considered met when the sale is highly probable and the asset or disposal group is available for immediate sale in its current condition. When the sale of a subsidiary is planned and this will lead to loss of control, all of its assets and liabilities are classified as held for sale. This applies whether or not an interest is retained in the former subsidiary after the sale.
Non-current assets held for sale, current and non-current assets included within disposal groups and liabilities directly associated with them are recognised in the statement of financial position separately from the entity's other assets and liabilities.

Immediately prior to classification as being held for sale, the assets and liabilities included within a disposal group are valued according to the accounting standards applicable to them. Subsequently, non-current assets held for sale are not depreciated and are measured at the lower of the fair value less costs to sell and their carrying amount.
The classification of an equity-accounted investment, or of a portion thereof, as held for sale requires the suspension of the application of this method of accounting in relation to the entire investment or to the portion thereof. In such cases, valuation is the lower value of the carrying amount which derives from the application of the equity method at the date of reclassification and fair value. Any retained portion of the investment that has not been classified as held for sale continues to be accounted for using the equity method until the conclusion of the sale plan. After the disposal takes place, the retained interest is accounted for using the applicable measurement criteria indicated under "non-controlling interests", unless it, in relation to its classification, continues to be accounted for using the equity method.
Any difference between the carrying amount of non-current assets and the fair value less costs to sell is taken to the income statement as an impairment loss; any subsequent reversal is recognised up to the previous impairment losses, including those recognised prior to qualification of the asset as held for sale.
Non-current assets classified as held for sale and disposal groups are a discontinued operation if, alternatively: (i) they represent a separate major line of business or geographical area of operations; (ii) they are part of a plan to dispose of a separate major line of business or geographical area of operations; (iii) they are a subsidiary acquired exclusively with a view to resale. Profit or loss of discontinued operations, as well as any gains or losses on their disposal are reported separately in the income statement, net of any tax effects. The results of discontinued operations are also reported in the comparative figures for prior years.
When events occur that make it impossible to classify the non-current assets or groups being disposed of as held for sale, they are reclassified in the respective items of the statement of financial position and recognised at the lesser between: (i) the carrying amount at the time of classification as held for sale, adjusted by the amortisation, depreciation, impairment losses and reversals of impairment losses that would be reported if the assets or group being disposed of had not been qualified as held for sale; and (ii) the recoverable amount at the time of reclassification. Likewise, in case of interruption of the plan of sale, recalculation of the values from the time of classification as held for sale/discontinued operation also involves the equity investments, or their shares, previously classified as held for sale/discontinued operation.

### Financial liabilities

Financial liabilities, other than derivative instruments, are initially recognised at the fair value of the amount received, net of direct transaction costs, and are subsequently measured using the amortised cost method (see previous section "Financial assets").

### Offsetting of financial assets and liabilities

Financial assets and liabilities are offset in the statement of financial position when they can be legally offset in the current year and it is intended to offset on a net basis (i.e. to realise the asset and remove the liability simultaneously).

### Derecognition of financial assets and liabilities

Financial assets that have been transferred are derecognised from the statement of financial position when the contractual rights to the cash flows from the asset are extinguished or expire or are transferred outright to third parties. Financial liabilities are derecognised when they have been settled, or when the contractual condition has been fulfilled or cancelled or when it has expired.

### Provisions for risks and charges

Provisions for risks and charges relate to risks and charges of a definite nature and whose existence is certain or probable but for which at year-end the timing or amount of future expenditure is uncertain. Provisions are recognised when: (i) there is a present obligation, either legal or constructive, as a result of a past event; (ii) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; (iii) a reliable estimate can be made of the amount of the obligation. The amount recognised for provisions represent the best estimate of the expenditure reasonably required to settle the obligation or to transfer it to third parties at the year-end date. The amount recognised for onerous contracts is the lower of the cost necessary to fulfil the contract obligations, net of the economic benefits expected to be received under it, and the costs incurred for contract termination. The revised estimates of the provisions are assigned to the same item of the income statement previously used for the provision.
The losses expected to complete a contract are recognised in their entirety in the year in which they are considered probable and are provided for in the provisions for risks and charges.
The costs that the entity expects to bear to carry out restructuring plans are recognised in the year in which the entity formally defines the plan and the interested parties have developed a valid expectation that the restructuring will occur.
In the notes to the consolidated financial statements, where required, the following contingent liabilities are described: (i) possible, but not probable obligations arising from past events, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; (ii) present obligations arising from past events whose amount cannot be reliably measured or whose settlement will probably not require an outflow of resources embodying economic benefits.

### Employee benefits

Employee benefits are the remuneration paid by the entity for the service provided by the employee or by virtue of the termination of employment.
Post-employment benefits are classified on the basis of plans, whether formal or not, as either "defined contribution plans" or "defined benefit plans", depending on their characteristics. In the first case, the entity's obligation, which only consists of making payments to the State or to a trust or fund, is determined on the basis of the contributions due.

The liabilities arising from defined benefit plans, net of any plan assets, are determined on the basis of actuarial assumptions and recognised on an accruals basis during the employment period required to obtain the benefits.
The net interest includes the expected return on plan assets and the interest cost which are recognised in profit or loss. Net interest is determined by applying the discount rate for liabilities to liabilities net of any plan assets. The net interest on defined benefit plans is posted to "Financial income (expense)".
Remeasurements of the net defined benefit liability, which comprise actuarial gains (losses) arising from changes in the actuarial assumptions used or from past experience and the return on plan assets excluding amounts included in net interest, are recognised in the statement of comprehensive income. Remeasurements of net liabilities for defined benefits, recognised in the equity reserve pertaining to the other components of the statement of comprehensive income, are not subsequently reclassified to the income statement.
Long-term benefits obligations are determined by adopting actuarial assumptions. The effects of remeasurement are taken to profit or loss in their entirety.

### Share-based payments

Coherently with their substantial nature of retribution, personnel expenses include the costs with share-based incentive plans. The cost of the incentive is calculated with reference to the fair value of the instruments attributed and to the forecast of the number of shares that will effectively be assigned; the portion applicable to the year is determined pro-rata temporis over the period to which the incentive refers (i.e. vesting period and possible co-investment period[13]), that is the period between the grant date and the vesting date.
The plans provide as conditions for the distribution of the shares the attainment of the business and/or market goals; when the assignment of the benefit is also connected to conditions other than those of the market, the estimate relative to these conditions is reflected by adjusting, along the vesting period, the number of shares expected to be effectively granted.
The fair value of the shares underlying the incentive plan is determined according to the provisions of the IFRS, particularly by IFRS 2, using models provided by info-providers and is not subject to adjustment in subsequent years. At the end of the vesting period, if the plan has not assigned shares to the participants due to failure to achieve the performance conditions, the portion of the cost pertaining to market conditions is not reversed to profit or loss.

### Treasury shares

Treasury shares include those held to service share-based incentive plans and are recognised at cost and recognised as a reduction in equity. Gains or losses from any subsequent sale of treasury shares are recognised as an increase (or decrease) in equity.

### Revenue from contracts with customers

The recognition of revenue from contracts with customers is based on the following five step model: (i) identification of the contract with the customer; (ii) identification of the performance obligations, represented by the contractual promises to transfer goods and/or services to a customer; (iii) determination of the transaction price; (iv) allocation of the transaction price to the performance obligations identified on the basis of the "stand alone" selling price of each distinct good or service; (v) recognition of the revenue when (or as) the relative performance obligation has been satisfied, i.e. at the time of transfer to the customer of the promised goods or services; the obligation is considered to have been satisfied when the customer obtains control of the goods or services, which may be satisfied over time, as in the case of contract assets from work in progress, or at a point in time.
Given the nature of the contracts and the type of work, work progress is determined through the use of an input method based on the percentage of costs incurred with respect to the total contractually estimated costs (cost-to-cost method); the resulting income is recognised as overtime. This method is applied in particular to the contracts of the Onshore and Offshore Engineering & Construction Divisions.
The contract revenue include the initial value of the revenue agreed in the contract, the requests for additional payments deriving from a change in contractually agreed work (change orders) and price revisions related to the requests for additional payments deriving from higher charges incurred for reasons attributable to the customer (claims). Change orders and claims are included in the amount of revenue when the change to the agreed works and/or price has a high probability of recognition, even if their definition has not yet been agreed on, and in any case for a total amount not exceeding €30 million. Any pending revenue reported for a period longer than one year, with no changes in the negotiations with the customer are impaired, despite the confidence in recovery of the business. Amounts higher than €30 million are reported only if supported by outside technical-legal experts.
Relative to drilling services, for the different rates contemplated contractually revenue are accounted for based on: (i) the different operating phases covered by the performance obligation (so-called mobilisation/operation/demobilisation phases) if contemplated contractually, regardless of the number of days of effective use of the equipment; (ii) any contract extensions, where an amendment of the price does not require stipulation of a new contract but continuation of the original one.
In the presence of contracts for the concession of licences and patents, the revenue must be recognised depending on whether it concerns the transfer of a "Right-of-Use" or of a "right of access".
In the former case, there is a performance obligation toward the customer which is satisfied upon issue, which requires recognition of the revenue "at a point in time", while in the latter case the right to access by the customer during the period of operation of the licence creates a performance obligation that is satisfied over a period of time, and the revenue is thus likewise recognised "over time".

*(13) The vesting period is the period between the date of option grant and the date on which the shares are assigned. The co-investment period is the two-year period, beginning the first day after the end of the vesting period, applicable only to the beneficiaries who have been identified as strategic resources for having met performance conditions.*

When hedged by derivative contracts qualifying for "hedge accounting", contracted revenue denominated in foreign currencies are translated at the contracted rates. Otherwise, they are translated at the exchange rate prevailing at year-end. The same method is used for any costs in a foreign currency. The allocation of revenue relative to services partially rendered are recognised for the portion matured, if it is possible to reliably determine stage of completion and there is no significant uncertainty about the amount and existence of the income; otherwise, they are recognised within the limits of the recoverable costs incurred. Provisions for invoices to be issued, the amounts of which are contracted in a foreign currency, are entered in euro at the rate of exchange reported as of the date of ascertaining the stage of the work in progress jointly with the customer (WIP acceptance); this value is adjusted to take account of the exchange rate gain or loss accrued on the hedge that qualify as "hedge accounting".
Payments received or to be received on behalf of third parties are not considered revenue.

### Expenses

Costs are recognised when relative to goods received and services rendered.
Personnel expenses comprise remuneration paid, provisions made to pension funds, accrued holidays, national insurance and social security contributions in compliance with national contracts of employment and current legislation.
The costs for the acquisition of new knowledge or discoveries, the study of products or alternative processes, new techniques or models, the planning and construction of prototypes or any other costs incurred for other scientific research or technological development activities, are generally considered current costs and expensed as incurred. These costs are capitalised (see "Intangible assets") only when they meet the requirements listed under "Costs of technological development activities" above.
Costs directly linked to the purchase of specific equipment and to the use of an asset on a specific project are capitalised and amortised over the duration of the project and are included in contract assets' progress.
The costs of preparation of drilling assets are recognised in the year in which the relative revenue is obtained and deferred over the duration of the project for which they are used.
Bidding costs are fully expensed in the year in which they are incurred.

### Exchange differences

Revenue and costs associated with transactions in currencies other than the functional currency are translated into the functional currency by applying the exchange rate at the date of the transaction.
Monetary assets and liabilities in currencies other than the functional currency are converted by applying the year-end exchange rate. The effect is recognised in the income statement under "Financial income (expense)". Non-monetary assets and liabilities denominated in currencies other than the functional currency valued at cost are translated at the exchange rate as of the date of initial recognition. Non-monetary assets that are measured at fair value (i.e. at their recoverable amount or realisable value) are translated at the exchange rate applicable on the date of measurement.

### Dividends

Dividends are approved at the date of the general Shareholders' Meeting in which they were declared, except when the sale of shares before the ex-dividend date is certain.

### Income taxes

Current income taxes are determined on the basis of estimated taxable profit. The estimated liability is recognised in "Current tax liabilities". Current income tax assets and liabilities are measured at the amount expected to be paid to/recovered from the tax authorities, using tax laws that have been enacted or substantively enacted at year end and the relative tax rates.
Deferred tax assets or liabilities are recognised for temporary differences between the carrying amounts and tax bases of assets and liabilities, based on tax rates and tax laws applicable for the years in which the temporary difference is annulled, that have been approved or substantively approved at the closing date of the year to which the financial statements refer. Deferred tax assets are recognised when their recovery is considered probable. The recoverability of deferred taxes is considered probable when it is expected that sufficient taxable profit will be available in the year in which the temporary differences reverse against which deductible temporary differences can be utilised. Similarly, unused tax credits and deferred tax assets on tax losses are recognised to the extent that they can be recovered. The recoverability of deferred tax assets is ascertained periodically, i.e. at least once a year.
Tax assets related to uncertain tax positions are recognised when it is considered probable that they will be recovered.
For temporary differences associated with investments in subsidiaries, associates and joint arrangements, deferred tax liabilities are not recognised if the investor is able to control the timing of the reversal of the temporary difference and it is probable that the reversal will not occur in the foreseeable future.
Deferred tax assets and liabilities are recorded under non-current assets and liabilities and are offset at single entity level if related to offsettable taxes. The balance of the offset, if positive, is recognised under "Deferred tax assets" and, if negative, under "Deferred tax liabilities".
The effects of uncertain tax treatment with a risk probability are recognised as income tax assets or liabilities.
When the results of transactions are recognised directly in equity, relative current taxes, deferred tax assets and liabilities are also charged to equity.

### Fair value measurement

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e. the "exit price") in an orderly transaction that is not a forced sale, liquidation sale or a distressed sale between independent, knowledgeable and willing market participants at the measurement date.
Fair value is determined based on market conditions at the measurement date and the assumptions that market participants would use (i.e. it is a "market-based" measurement).

Fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market or, in the absence of a principal market, in the most advantageous market to which the entity has access, regardless of the entity's intent to sell the asset or transfer the liability.
When the market price is not directly observable and a price for an identical asset or liability is not observable, the fair value is calculated by applying another valuation technique that maximises the use of relevant observable inputs and minimises the use of unobservable inputs. Since fair value is a market-based measurement, it is determined by adopting the assumptions that market participants would use to determine the price of the asset or liability, including assumptions about risks. As a result the intention to hold an asset or settle a liability (or to fulfil otherwise) is not relevant for the purposes of fair value measurement.
Fair value measurements of non-financial assets take into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The highest and best use is determined from the perspective of market participants, even if the entity intends a different use. An entity's current use of a non-financial asset is presumed to be its highest and best use unless market or other factors suggest that a different use by market participants would maximise the value of the asset.
In the absence of quoted market prices, the fair value of a financial or non-financial liability or an entity's own equity instruments is taken as the fair value of the corresponding asset held by another market participant at the measurement date.
The fair value of financial instruments is determined by considering the credit risk of the counterparty of a financial asset (so-called "Credit Valuation Adjustment" or CVA) and the risk of non-performance of a liability by the entity (so-called "Debit Valuation Adjustment" or DVA).
In the absence of available quoted market prices, valuation techniques appropriate in the circumstances are used to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

### Statement of financial position[14]

Items of the statement of financial position are classified as current and non-current. Items of the income statement are presented by nature[15].
The comprehensive income statement shows the net result together with income and expenses that are recognised directly in equity in accordance with specific provisions of IFRS.
The statement of changes in equity includes comprehensive profit (loss) for the year, transactions with shareholders and other changes in equity.
The statement of cash flow is prepared using the "indirect method", whereby the profit for the year is adjusted for the effects of other non-monetary items.

### Changes to standards

The changes to the accounting standards effective as of January 1, 2020 have not had a significant impact on Saipem's financial statements. A summary of the main changes of potential interest to the Group is provided below.

With Regulation No. 2019/2075, issued by the European Commission on November 29, 2019, the document "Amendments to References to the Conceptual Framework in IFRS Standards" was approved. It essentially consists of changes of a technical and presentation nature to some international accounting standards aimed at incorporating the new IFRS reference framework (the Conceptual Framework for Financial Reporting), published by the IASB on March 29, 2019.

With Regulation No. 2019/2104, issued by the European Commission on November 29, 2019, the amendments to IAS 1 and IAS 8 regarding "Definition of Material" were approved, serving to clarify and render uniform within the IFRS and other publications the definition of materiality, in order to support the entities in the formulation of opinions on the subject. In particular, information should be considered material if its omission, erroneous presentation or concealment could presumably influence the main users of the financial statements in making decisions on the basis of those statements.

With Regulation No. 2020/34, issued by the European Commission on January 15, 2020, approved the amendments to IAS 39 "Financial Instruments: recognition and measurement", to IFRS 9 "Financial Instruments" and to IFRS 7 "Financial Instruments: disclosures" by effect of the interbank rate reforms. The aforementioned amendments mainly concern interest rate swap transactions in cases of uncertainty concerning: (i) the reference index for calculation of interest rates designated as the hedged risk; and/or (ii) the timing or amount of the cash flows related to the reference indices for calculation of the interest rates of the hedged item or hedging instrument.
The specific working group was set up in Saipem within the Finance Dept., to assess the potential impacts deriving from the adoption of the so-called IBOR Reform, has not detected any significant impact deriving from the reform. The Group's sources of funding are in fact mainly denominated in EUR at a fixed rate and the impact on other financial agreements and financial instruments is considered limited.

With Regulation No. 2020/551, issued by the European Commission on April 21, 2020, the amendments to IFRS 3 "Business Combinations" were approved, aimed at providing clarification on the definition of business. Specifically, if the contract provides for the acquisition of one (or more than one) input and of a substantial process that, together, contribute significantly to the ability to create an output, this can be defined as a business acquisition. On the contrary, lacking the set of conditions described above, the case is one of acquisition of a group of assets, which determines the capitalisation of the cost of their acquisition and their depreciation based on the provisions of IAS 16.

*(14) The statement of financial position is the same as the one in the 2019 Annual Report.*
*(15) Information regarding financial instruments, applying the classification required by IFRS, is provided under Note 29 "Guarantees, commitments and risks - Additional information on financial instruments".*

With Regulation No. 2020/1434, issued by the European Commission on October 9, 2020 endorsed the amendments to IFRS 16 "Leases" "COVID-19 - Related Rent Concessions - Amendment to IFRS 16", introducing a practical expedient by which lessees are permitted to account for rent concessions deriving from the COVID-19 pandemic as negative variable lease payments without having to remeasure the assets and liabilities for the lease, in compliance with the following requirements: (i) the concessions refer to the reduction of only the payments due by June 30, 2021; (ii) the total contract payments, after the rent concessions, are equal to or less than the payments originally laid down in the contracts; and (iii) no substantial amendments have been agreed with the lessor. The amendments are effective as of June 1, 2020.

## Financial risk management

The main financial risks that Saipem is facing, monitoring and as detailed below, actively managing are the following:
(i) the market risk deriving from exposure to fluctuations in interest rates and exchange rates and from exposure to commodity price volatility;
(ii) the credit risk deriving from the possible default of a counterparty;
(iii) the liquidity risk deriving from the lack of adequate financial resources to face short-term commitments;
(iv) the downgrading risk deriving from the possibility of a deterioration in the credit rating assigned by the main rating agencies.
The information shown below is based on the report prepared internally for the Executive Management.
The management, control and reporting of the financial risks are based on the Financial Risk Policy, issued and periodically updated at corporate level with the aim of standardising and coordinating the Saipem Group's financial risk policies. Specifically, financial risks are controlled through the periodic calculation of several Key Risk Indicators (KRI) which are subject to specific attention thresholds periodically updated according to the evolution of the Saipem Group's business. The control activities established by the Financial Risk Policy also include escalation procedure to be followed if the risk thresholds set by the KRIs are exceeded.
For further details on industrial risks, see the "Risk management" section in the Directors' Report.

### (i) Market risk

Market risk is the possibility that changes in exchange rates, interest rates or commodity prices will adversely affect the value of the Group's financial assets, liabilities or expected future cash flows. Saipem actively manages market risk in accordance with the above-mentioned Financial Risk Policy and operative procedures that provide a centralised model for managing financial activities.

*Market risk - Exchange rates*

Currency risk derives from the fact that Saipem's operations are performed in areas other than the euro area and that revenue and/or costs from a significant portion of projects are denominated and settled in non-euro currencies. This impacts:
- on the profit or loss due to the different counter value of costs and revenue denominated in foreign currency at the time of their recognition compared to the time when the price conditions were defined and as a result of the conversion and subsequent revaluation of trade receivables/payables or financial assets/liabilities denominated in foreign currencies;
- on the consolidated financial statements (economic results and equity), as a result of the conversion of the economic result, assets and liabilities related to subsidiaries with functional currency other than the euro.

Saipem Group's risk management objective is the minimisation of the impact deriving from fluctuations in exchange rates on profit or loss for the period.
Under monitoring is the impact on the year's result from exchange rate fluctuations resulting from the consolidation of the economic results of companies that prepare their financial statement in a currency different from the Group's functional currency.
The exchange rate risk arising from the conversion of assets and liabilities of companies that prepare their financial statements in a currency different form the Group's functional one is partially managed, at consolidated level, with the designation in net investment hedges of long-term operating monetary.
Saipem adopts a strategy to reduce currency risk exposure by using derivative contracts. Hedging transactions may also be entered into in relation to future underlying contractual commitments, provided that these are considered as highly probable (so-called highly probable forecast transactions). To this end, different types of derivatives (outright and swaps in particular) are used. Such derivatives are measured at their fair value on the basis of standard market evaluation algorithms and market prices/contributions provided by primary info-providers. Planning, coordination and management of this activity at Group level is the responsibility of the Saipem Finance Department, which closely monitors the correlation between derivatives and their underlying flows, as well as ensuring their correct accounting representation in compliance with IFRS accounting standards.
The measurement and control activities of the exchange rate risk are performed by calculating a series of periodically-monitored KRIs. Specifically, KRIs on exchange rate risk are defined as thresholds on the minimum hedging level on future contractual currency flows and the related maximum potential losses measured with Value at Risk (VaR) models.
Sensitivity analysis was performed for those currencies other than euro which may potentially impact the 2020 income statement and equity from an hypothetical positive and negative 10% variations of the exchange rates.
The sensitivity analysis was carried out in relation to the following financial assets and liabilities expressed in currencies other than the euro:
- exchange rate derivatives;
- trade receivables and other assets;
- loan assets;
- trade payables and other liabilities;
- cash and cash equivalents;
- current and non-current financial liabilities;
- lease liabilities.

For derivative instruments on exchange rates, the sensitivity analysis on their fair value is carried out by comparing the forward counter-value fixed in the contracts with a spot counter-value stressed with a 10% positive or negative variation, and adjusted using interest rate curves consistent with the maturity dates of contracts and on the basis of market prices at year-end.
The analysis did not examine the effect of exchange rate fluctuations on the measurement of contract assets from work in progress assessment because they do not represent a financial asset under IAS 32.
In light of the above, although Saipem adopts a strategy targeted at minimising exchange risk exposure through the use of various types of derivatives (outrights and swaps), it cannot be excluded that exchange rate fluctuations may significantly impact the Group's results and the comparability of results of individual years.
A depreciation of the euro compared to other currencies would have produced an overall effect on pre-tax profit of -€85 million (-€32 million as of December 31, 2019) and an overall effect on equity, before related tax effects, of -€205 million (-€192 million as of December 31, 2019).
An appreciation of the euro compared to other currencies would have produced an overall effect on pre-tax profit of €86 million ( €33 million as of December 31, 2019) and an overall effect on equity, before related tax effects, of €206 million (€193 million as of December 31, 2019).
The increase/decrease with respect to the previous year is essentially due to variations in the exposed financial assets and liabilities.
The table below shows the effects of the above sensitivity analysis on the items of the statement of financial position and income statement.

| | 2019 | | | | 2020 | | | |
|---|---|---|---|---|---|---|---|---|
| | Δ+10% | | Δ-10% | | Δ+10% | | Δ-10% | |
| (€ million) | Income statement | Equity | Income statement | Equity | Income statement | Equity | Income statement | Equity |
| Derivative financial instruments | (93) | (253) | 94 | 254 | (117) | (237) | 118 | 238 |
| Trade receivables and other assets | 133 | 133 | (133) | (133) | 69 | 69 | (69) | (69) |
| Loan assets | 10 | 10 | (10) | (10) | 33 | 33 | (33) | (33) |
| Trade payables and other liabilities | (92) | (92) | 92 | 92 | (93) | (93) | 93 | 93 |
| Cash and cash equivalents | 58 | 58 | (58) | (58) | 45 | 45 | (45) | (45) |
| Current financial liabilities | (8) | (8) | 8 | 8 | (6) | (6) | 6 | 6 |
| Non-current financial liabilities | - | - | - | - | - | - | - | - |
| Lease liabilities | (40) | (40) | 40 | 40 | (16) | (16) | 16 | 16 |
| **Total** | **(32)** | **(192)** | **33** | **193** | **(85)** | **(205)** | **86** | **206** |

The sensitivity analysis on receivables and payables for the principal currencies was as follows.

| | | Dec. 31, 2019 | | | Dec. 31, 2020 | | |
|---|---|---|---|---|---|---|---|
| (€ million) | Currency | Total | Δ -10% | Δ +10% | Total | Δ -10% | Δ +10% |
| Receivables | | | | | | | |
| | USD | 1,104 | (110) | 110 | 558 | (56) | 56 |
| | KWD | 108 | (11) | 11 | 84 | (8) | 8 |
| | PLN | 40 | (4) | 4 | 14 | (2) | 2 |
| | GBP | 4 | - | - | 10 | (1) | 1 |
| | NOK | 9 | (1) | 1 | 8 | (1) | 1 |
| | Other currencies | 65 | (7) | 7 | 13 | (1) | 1 |
| **Total** | | **1,330** | **(133)** | **133** | **687** | **(69)** | **69** |
| Payables | | | | | | | |
| | USD | 653 | 65 | (65) | 710 | 71 | (71) |
| | GBP | 63 | 6 | (6) | 65 | 6 | (6) |
| | AED | 30 | 3 | (3) | 14 | 1 | (1) |
| | AUD | 3 | - | - | 6 | 1 | (1) |
| | NOK | 18 | 2 | (2) | 10 | 1 | (1) |
| | JPY | 12 | 1 | (1) | 19 | 2 | (2) |
| | AOA | 6 | 1 | (1) | 6 | 1 | (1) |
| | KWD | 109 | 11 | (11) | 90 | 9 | (9) |
| | Other currencies | 27 | 3 | (3) | 15 | 1 | (1) |
| **Total** | | **921** | **92** | **(92)** | **935** | **93** | **(93)** |

*Market risk - Interest rate*
Interest rate fluctuations influence the market value of the Group's financial assets and liabilities and the level of net financial expense. The objective of risk management is to minimise the interest rate risk when pursuing financial structure objectives defined in the Financial Risk Policy.
In compliance with established risk management objectives, the Finance Department of Saipem assesses, when stipulating variable rate financing, where appropriate, to enter into Interest Rate Swap (IRS) transactions in order to manage fluctuations in

interest rates. Planning, coordination and management of this activity at Group level is the responsibility of the Saipem Finance Department, which closely monitors the correlation between derivatives and their underlying flows, as well as ensuring their correct accounting representation in compliance with the IFRS. Although Saipem adopts a strategy targeted at minimising its exposure to interest rate risk through the pursuit of defined financial structure objectives, it is not to be excluded that interest rate fluctuations could significantly impact the Group's results and the comparability of the results of individual years.
Interest rate derivatives are measured by the Finance Department of Saipem at their fair value on the basis of market standard evaluation algorithms and market prices/contributions provided by primary public info providers.
The Saipem Group measures and controls the interest rate risk by calculating and monitoring a KRI that measures the impact of a fixed-rate debit including the possible related derivate financial instruments on total debt.
To measure the impact of interest rate risk a sensitivity analysis was performed. The analysis calculated the effect on the income statement and equity which would result from a positive and negative 100 basis point movement on interest rate levels.
The analysis was performed in relation to all financial assets and liabilities subject to interest rate fluctuations in relation in particular to the following items:

- interest rate derivatives;
- cash and cash equivalents;
- current and non-current financial liabilities.

For derivative financial instruments on interest rates, the sensitivity analysis on fair value was conducted by discounting the contractually expected cash flows with year-end market interest rate curves, with variations in excess of and less than 100 basis points. With reference to cash and cash equivalents and to variable rate financial liabilities, reference was made respectively to the stock at the closing of the year and to changes in exposure expected in the following 12 months. On this basis, a movement of interest rates has been applied in excess of and less than 100 basis points on interest rates.
A positive variation in interest rates would have produced an overall effect on pre-tax profit of €6 million (€8 million as of December 31, 2019) and an overall effect on equity, before related tax effects, of €8 million (€11 million as of December 31, 2019).
A negative variation in interest rates would have produced an overall effect on pre-tax profit of -€7 million (-€10 million as of December 31, 2019) and an overall effect on equity, before related tax effects, of -€8 million (-€13 million as of December 31, 2019).
The increase/decrease with respect to the previous year is essentially due to variations in the financial assets and liabilities exposed to interest rate fluctuations.
The table below shows the effects of the above sensitivity analysis on the items of the statement of financial position and income statement.

| | 2019 | | | | 2020 | | | |
|---|---|---|---|---|---|---|---|---|
| | +100 basis points | | -100 basis points | | +100 basis points | | -100 basis points | |
| (€ million) | Income statement | Equity | Income statement | Equity | Income statement | Equity | Income statement | Equity |
| Cash and cash equivalents | 11 | 11 | (11) | (11) | 8 | 8 | (8) | (8) |
| Derivative financial instruments | - | 3 | - | (3) | - | 2 | - | (1) |
| Current financial liabilities | - | - | - | - | - | - | - | - |
| Non-current financial liabilities | (3) | (3) | 1 | 1 | (2) | (2) | 1 | 1 |
| **Total** | **8** | **11** | **(10)** | **(13)** | **6** | **8** | **(7)** | **(8)** |

*Market risk - Commodity*
Saipem's results are affected by changes in the prices of oil products (fuel oil, lubricants, bunker oil, etc.) and raw materials (copper, steel, etc.), since they represent associated costs in the running of vessels, bases and yards and in the realisation of projects and investments.
In order to reduce commodity risk, in addition to implementing strategies at commercial level, Saipem also trades derivatives (swaps and bullet swaps) in particular on the organised ICE, NYMEX and LME markets where the relevant physical commodity market is closely correlated to the financial market and efficient in terms of pricing.
As regards commodity price risk management, derivative instruments on commodities were negotiated by Saipem to hedge underlying contractual commitments. Hedging transactions may also be entered into in relation to future underlying contractual commitments, provided that these are considered as highly probable (so-called highly probable forecast transactions). Despite the hedging activities performed to control and manage the commodity risks, Saipem cannot guarantee that they will be either efficient or adequate or that in future it will still be able to use such hedging instruments.
Commodity derivatives are measured at their fair value by the Finance Department of Saipem on the basis of market standard evaluation algorithms and market prices/contributions provided by primary info providers.
The Saipem Group measures and controls the commodity risk by calculating and monitoring a KRI that quantifies the maximum potential loss measured with VaR models.
With regard to commodity risk hedging instruments, a 10% positive variation in the underlying rates would have produced no effect on pre-tax profit, while it would have produced an effect on equity, before related tax effects, of €4 million. A 10% negative variation in the underlying rates would have produced no effect on pre-tax profit, while it would have produced an effect on equity, before related tax effects, of -€4 million.

### (ii) Credit risk
Credit risk represents Saipem's exposure to potential losses deriving from the default of counterparties. Counterparty risk management in commercial contracts, is under the responsibility of Divisions and of specific corporate Finance and

Administration departments on the basis of standard procedures for the evaluation of the credit worthiness of business partner. In relation to counterparty financial risk deriving from the investment of surplus liquidity, derivative contracts and other transactions with financial counterparties, Group companies operates under the requirements defined in the Financial Risk Policy. Despite the measures implemented by Saipem to avoid risk concentrations and to identify the parameters and conditions to operate with hedging can operate, it is not possible to exclude the possibility that one of the Group's customers may delay payments, or fail to make payments, within the defined terms and conditions. Any delay or default in payment by the main customers may imply difficulties in the execution and/or completion of projects, or the need to recover costs and expenses through legal action.
Assessment of the recoverability of financial assets with counterparties of a commercial and financial nature was made on the basis of the so-called "expected credit loss model" illustrated in the paragraph entitled "Impairment losses on financial assets".
The Saipem Group measures and controls the credit risk of commercial counterparties by periodically calculating the KRIs aimed at measuring the Probability of Default ("PD") on trade receivables exposures, backlogs and guarantees granted. The effect of those operations is described in the following Notes 10 "Trade receivables and other assets" and 11 "Inventories and contract assets". Credit risk towards financial counterparties is instead monitored and controlled through the periodic calculation of KRIs aimed at measuring exposure, maximum lending duration and the breakdown of financial assets by counterparty rating class.

### (iii) Liquidity risk

The evolution of working capital and of financial needs is strongly influenced by the invoicing time frames for contract assets from work in progress assessment and the collection of the relevant receivables. Consequently, and despite the fact that the Group has implemented measures targeted at ensuring that adequate levels of working capital and liquidity are maintained, possible delays in the progress of projects and/or in the definition of situations being finalised with customers, may have an impact on the capacity and/or on the timing of cash flows generation.
Liquidity risk may be the risk that appropriate sources of funding for the Group may not be available (funding liquidity risk), or that the Group is unable to sell its assets on the market (asset liquidity risk), and be unable to meet its short-term financial requirements and settlement obligations. Such situation could negatively impact the Group's results as may cause the Group to incur into higher borrowing expenses to meet its obligations or, under the worst scenario into, the inability to continue as a going concern. The objective of the Group's risk management is to implement a financial structure, consistent with the business objectives and the limits defined in the Financial Risk Policy, that guarantees an adequate level of liquidity and committed credit lines for the entire Group.
The risk management objective is to guarantee sufficient financial resources to cover short-term commitments and maturing obligations, as well as to ensure the availability of an adequate level of financial flexibility for Saipem's development programmes, maintaining a balance in terms of debt tenor and composition and an adequate structure of bank credit lines.
Saipem measures and controls the liquidity risk by continuously monitoring forecasted cash flows, the maturity profile of financial liabilities the Financial Covenants of the main bank credit facilities, and by periodically calculating KRIs. These indicators measure the level of available cash expected in the short term, the level of maturity concentration of financial liabilities and derivatives, and the ratios between financial sources and uses expected in the short and medium term.
For the control and efficient utilisation of its liquidity, Saipem Group avails itself, among other things, of a centralised cash pooling system and automatic reporting tools.
Moreover, in order to ensure an adequate financial structure, in line with the Financial Risk Policy, Saipem adopts strategies to manage proactively maturing debt, through early refinancing or pre-funding transactions. As part of these strategies, in March 2020 Saipem made an early repayment of the full amount for €500 million of notes maturing in March 2021. Moreover during 2020, the Company renewed for one year the non-convertible bond issuance programme denominated Euro Medium Term Note Programme established in April 2016 for a maximum amount of €2,000 million and subsequently increased to a maximum amount of €3,000 million. In July 2020, the Group entity SAFI issued a new bond for the amount of €500 million maturing in July 2026.
As a result of these financial transactions, the Group has structured its financing sources mainly on medium/long-term maturities with an average duration, as of December 31, 2020, of 2.9 years; the portion of medium/long-term debt maturing in 2021 amounts to €169 million, of which €100 million during the first half of the year and the remaining part during the second half.
The maturity dates for the four bonds of €500 million each outstanding as of December 31, 2020 are set for 2022, 2023, 2025 and 2026.
In the second half of 2020, Saipem renegotiated the terms and conditions of the Financial Covenants (defined as the Net Debt-to-EBITDA Ratio) on the main present bank facilities, adjusting the calculation according to the international accounting standard IFRS 16 and, at the same time, increasing the threshold value from 3.0 to 4.0 for the financial year 2020 and to 3.5 for subsequent financial years.
Hence at present, through the management of flexible credit lines suitable for its business requirements, Saipem believes to have access to funding sources more than adequate to meet currently foreseeable financial requirements.
As of December 31, 2020 the Group's available cash totals €1,124 million, in addition to a committed Revolving Credit Facility of €1 billion, expiring in 2023, which has never been used to date.

### (iv) Downgrading risk

S&P Global Ratings has assigned Saipem a long-term corporate credit rating equal to "BB+", with a stable outlook; Moody's Investor Services assigned Saipem corporate family rating equal to "Ba2", with a stable outlook.
Credit ratings influence the ability of the Group to obtain new loans, as well as the related cost. Consequently, if one or more ratings agencies would lower the Group's rating, this could determine a worsening in the conditions for accessing financial markets.

### Future payments for financial liabilities, trade payables and other liabilities

The following table shows the contractually-due payments related to financial debts and lease liabilities, with separate disclosure of principal and interest, and liabilities for derivative financial instruments.

| | Maturity | | | | | | |
|---|---|---|---|---|---|---|---|
| (€ million) | 2021 | 2022 | 2023 | 2024 | 2025 | After | Total |
| Non-current financial liabilities | 207 | 654 | 715 | 89 | 562 | 572 | 2,799 |
| Current financial liabilities | 257 | - | - | - | - | - | 257 |
| Lease liabilities | 110 | 98 | 83 | 45 | 23 | 50 | 409 |
| Fair value of derivative instruments | 32 | 1 | - | - | - | - | 33 |
| **Total** | **606** | **753** | **798** | **134** | **585** | **622** | **3,498** |
| Interest on loans and borrowings | 72 | 70 | 53 | 33 | 31 | 17 | 276 |
| Interests on lease liabilities | 12 | 8 | 5 | 3 | 2 | 6 | 36 |

The following table shows the due dates of trade payables and other liabilities.

| | Maturity | | | |
|---|---|---|---|---|
| (€ million) | 2021 | 2022-2025 | After | Total |
| Trade payables | 2,193 | - | - | 2,193 |
| Other liabilities | 270 | 1 | - | 271 |

### Future payments for outstanding contractual obligations

The investment commitments for projects for which procurement contracts have already been entered into, expiring in 2021, equal €46 million.

## 4 Accounting estimates and significant judgements

The preparation of financial statements and interim reports in accordance with generally accepted accounting standards requires Management to make accounting estimates based on complex and/or subjective judgements, past experience and assumptions deemed reasonable and realistic based on the information available at the time of the estimate. The use of these estimates and assumptions affects the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the reporting date and the reported amounts of income and expenses during the reporting period. Actual results may differ from these estimates given the uncertainty surrounding the assumptions and conditions upon which the estimates are based.
Following on from a description of the effects of the COVID-19 pandemic, set out below are the accounting estimates used in the preparation of financial statements and interim reports that are considered critical because they require management to make a large number of subjective judgements, assumptions and estimates regarding matters that are inherently uncertain. Changes in the conditions underlying such judgements, assumptions and estimates may have a significant effect on future results.

#### EFFECTS OF COVID-19 ON THE BASIS OF PRESENTATION INCLUDING GOING CONCERN

Consistently with the guidelines provided by ESMA (European Securities and Markets Authority) in its Public Statement of October 28, 2020, which highlights the need for issuers to provide updated useful information to investors so as to adequately reflect the impact of COVID-19 (on the financial position, performance, cash flows and identification of the main risks and uncertainties to which issuers are exposed when preparing interim financial reports), Saipem's considerations on the impacts observed and the mitigation measures put in place are detailed below.
The outbreak of the COVID-19 ("Coronavirus") pandemic has significantly impacted the global economy and, as a result, the Saipem Group, also considering the drastic reduction in the prices of the main energy raw materials (primarily gas and oil). The energy sector is among the worst affected globally, due to the collapse in demand for energy and for oil and gas in particular. In addition to that, the major oil producing countries failed to reach an agreement at the beginning of this year on production levels, which adversely impacted the supply and demand imbalance further, bringing the Brent crude price in the month of April under $20 per barrel. The agreement that was then reached between the alliance of the OPEC countries and Russia during the crisis allowed a re-alignment in the market, bringing the price back up to around $50 a barrel at the end of the year. There was nonetheless a drop in the projected prices for the oil over the mid-long term compared to the pre-COVID market.
Since the beginning of the outbreak of the pandemic, Saipem has started an in-depth analysis of the possible effects of COVID-19, which is still ongoing as the situation continues to evolve: (i) evolution of regulatory frameworks and, in particular, monitoring the measures taken by the countries in which Saipem operates; (ii) relationship management with customers and partners; (iii) management of both active and passive contracts, by introducing and/or activating, where possible, specific contractual clauses; (iv) impact on project execution, particularly on operations at construction sites and on vessels, due to changes in the availability of internal and external resources and/or other circumstances resulting, directly or indirectly, from the pandemic; (v) levels of performance and continuity of service by suppliers, subcontractors and partners.
Saipem has implemented specific mitigation measures to contain the impact of the pandemic from the outset, activating a crisis response protocol by setting up a specific task force in charge of constantly monitoring the spread of the virus and finding solutions to inform and protect internal and external staff (employees, customers and suppliers) in the offices and work sites in Italy and in the countries where the Group operates, in accordance with the instructions of the Ministry of Health. The Saipem

Crisis Unit in Milan is always open and is constantly in contact, providing coordination with Local Crisis Units worldwide; it periodically reviews the situation and adjusts the status of the action plan with the Corporate Crisis Committee chaired by the Chief Executive Officer. Saipem continues to tackle the emergency by maintaining high monitoring levels and measures to prevent and combat the spread of the pandemic, aiming to ensure people's health, which remains the top priority.
Saipem's performance in 2020 confirms the Company's resilience to the unexpected and complex emergency caused by the ongoing COVID-19 pandemic, which has resulted in the revision of the growth prospects originally envisaged following the positive signs emerged in 2019.
To offset the increase of costs related to COVID-19 as described above, the Company has promptly launched adequate efficiency initiatives that has resulted in an improvement of cost structure efficiency of about €190 million, of which €45 million structural, and in significantly containing investments for a total €280 million. Despite an understandable slowdown, more significant on margins, operating performance confirms the organisational capacity to address complex situations effectively. The backlog of over €25 billion is still sizeable, diversified and increased compared with last year, following the new acquisitions of 2020 for approximately €8.7 billion.
**Financial aspects:** with regard to potential financial stress scenarios, Saipem is constantly monitoring the Group's current and prospective liquidity through the periodic calculation of KRI (Key Risk Indicator), aimed at measuring the level of available cash in the short term, the maturities concentration of financial liabilities and derivatives, and the ratio between financial sources and uses expected in the short and medium term.
For the control and efficient use of its liquidity, Saipem Group avails itself, among other things, of a central cash pooling system and automatic reporting tools.
As part of a strategy aimed at managing proactively the maturing debt through early refinancing or pre-funding operations, in March 2020 Saipem redeemed for the full amount of €500 million the notes maturing in March 2021. In addition, during 2020, the Company renewed for one year the non-convertible bond issuance programme denominated Euro Medium Term Note Programme, established in April 2016 for a maximum amount of €2,000 million and subsequently increased to a maximum amount of €3,000 million. In July 2020, Saipem Group issued a new bond for an amount of €500 million maturing in July 2026.
The total amount of notes currently outstanding is equal to €2,000 million, divided in four tranches of €500 million each, maturing in 2022, 2023, 2025 and 2026 respectively.
As a consequence, Saipem Group's financial debt is mainly structured over a medium-long term horizon, with a limited concentration of maturities in the financial year 2021.
In the second half of 2020, Saipem renegotiated the conditions of the Financial Covenants (defined as the net debt-to-EBITDA ratio) on the main bank facilities, adjusting the calculation according to the international accounting standard IFRS 16 and, at the same time, increasing the limit from 3.0 to 4.0 for the financial year 2020 and to 3.5 for subsequent financial years.
As an additional safety margin to strengthen the liquidity position of the Group, in addition to an available cash in excess of €1 billion, Saipem has the availability of a €1 billion committed Revolving Credit Facility, maturing in 2023 and never utilised at the present date.
As a result, Saipem believes to have access to sources of funding that are more than adequate to meet future financial needs. This, together with the control and efficient utilisation of its liquidity, ensures the Group is financially stable and does not require government subsidies and contributions.
Considering the negative economic and financial trends resulting from the pandemic and the reduction in crude oil prices, particular emphasis is also placed on reviewing the expected losses of financial assets, especially with regard to: (i) trade receivables, (ii) hedging derivatives and (iii) financial assets measured at fair value.
The procedures centrally implemented by Saipem's Finance Department are structured to manage the risks associated with the transactions put in place by constantly monitoring the effects caused by uncertainty surrounding future variables and the risk of the market counterparties with whom contracts are entered into.
With respect to trade receivables connected with the insolvency risk of customers, Saipem constantly monitors and centrally assesses the risk indicators and the probability of default for customers using third party information, in addition to assess debt recoverability at Division level.
**Recoverability of non-financial assets:** as regards the determination of the recoverable amount of the non-financial assets used by the Group in carrying out the projects, as required by the impairment methodology approved by the Board of Directors of Saipem SpA, the future cash flows for estimating the recoverable amount of each Cash Generating Unit (CGU) are determined on the basis of the best information available also taking into account actual results, considering future expectations at the time of the estimate, of the Division Management regarding the relevant markets.
The methodology adopted by the Group also proved to be adequate under the current emergency situation. In particular, as part of the communication on the management results for the first quarter of 2020, the unexpected deterioration of market conditions and the review of future investment plans by some customers have lead the company management to decide to perform the impairment test on all the Group CGUs. Value in use as of March 31, 2020 for the CGUs was determined by discounting the cash flow net of taxes, with a specific discount rate updated as of March 31, 2020, for each business segment. The cash flows used for the purpose of impairment test were those specified in the 2020-2023 Strategy Plan, which had been approved by the Board of Directors in February 2020 and updated with the latest best available estimates following specific events occurring from the second half of March 2020 onwards, in the EBITDA and Capex levels for the divisions, not changing certain parameters, such as exchange rates, expected working capital levels, tax rates and financial charges. In general, the update flow estimates mainly concerned the cash flows for 2020, except for the CGU for the Offshore Drilling Division, in relation to which the flow estimates were also updated for subsequent years of the Strategy Plan, including post-Strategy Plan years where needed. Note that in order to establish the long-term lease rates of the CGU for the Offshore Drilling, lacking new update reports on the market rates from external sources, normally used by the Division as a benchmark, the impairment exercise confirmed the long-term rates used for the impairment test as of December 31, 2019. As a result of the impairment test, an impairment loss of €257 million was recorded on some CGUs of the Offshore Drilling Division.

Moreover, in the first six months, due to the ongoing pandemic, the EBITDA and Capex values of the divisions were promptly updated, as well as the other parameters necessary to define flows such as exchange rates, assumptions on the evolution of working capital, tax rates and financial charges. The cash flows used for the impairment test are those of the 2020-2023 Strategic Plan approved by the Board of Directors in February, which were updated using the best estimates available and approved by the Board of Directors on July 16, 2020; the update of flow estimates concerned the cash flows of the 2020-2023 Strategic Plan of all divisions. As a result of the impairment test, as of June 30 an impairment loss of €590 million was recorded on some CGUs of the Offshore Drilling Division, of which €257 million were recorded in the first quarter of 2020.
As of December 31, 2020, the cash flows used for the impairment test were those of the 2021-2024 Strategic Plan, prepared using the best estimates available to date and approved by the Board of Directors on February 24, 2021. It should be noted that flows have been normalised, where necessary, according to IAS 36. In particular, the long-term lease rates of the Offshore Drilling CGUs have been defined using the latest update reports available at the date and processed by external sources, normally used by the Division as a benchmark. As a result of the impairment test, as of December 31, 2020, no additional impairment losses were recorded on top of the total €590 million loss recorded in March and June.
**Estimate process:** with regard to revenue from contracts with customers as a result of the COVID-19 crisis and changing market conditions, the circumstances relating to the possible (i) collection of payments that may no longer be highly probable and (ii) agreements between the parties that could modify certain aspects of the contract related to the subject matter or price of the transactions were assessed.
The enforceability of contractual rights and obligations and the likelihood of collecting the relevant payment are prerequisites for identifying a contract with customers for accounting purposes. In fact, according to IFRS 15, if these conditions are not met, the contract should not exist from an accounting point of view and revenue could not be recognised. Given the current uncertainty, it is therefore necessary to check whether such conditions are met when entering into a contract, and whenever substantial changes in the relevant facts and circumstances are likely to occur.
Moreover, the estimate of the variable component of the payments has been revised since, because of this situation of uncertainty, it is complex and requires a high degree of judgement due to the constraint envisaged by the principle that allows revenue to be recognised only for amounts that are very likely not to be reversed in the future. Likewise, the effects of the operational implications deriving from the pandemic have been assessed and where necessary, considered in the cost estimate for the duration of projects.
As of January 11, 2021, almost all of the active risks linked to the COVID-19 pandemic had been quantified and the expected value of these risks today amounts to about 1.5% of the total expected value of all risks associated to Saipem projects, down from the value communicated in the first half of the year 2020, due to the increase in the estimated value of opportunities (positive risk side) offered by the projects (e.g., potential contract re-negotiations) and a partial reduction in the estimated value of risks (negative risk side) associated to Saipem projects.
The geographical areas in which the greatest exposure to risk has been recorded, though with differentiated situations depending on the divisions, are Saudi Arabia, Europe, Russia, the Caspian Sea and Western Africa.
**Identifying the COVID-19 economic impact:** with reference to contract assets from work in progress assessment, for which revenue are recorded “over the time” according to input methods such as “cost to cost”, the estimate of the final charges and the timing for fulfilling the performance obligations made it necessary to consider whether the costs linked to COVID-19 should be excluded from project progress.
For this purpose, Saipem has identified three “clusters” in which the costs linked to COVID-19 have been allocated:
1. Costs directly related to COVID-19: these are costs directly related to COVID-19 as they were incurred, or will be incurred, to manage the emergency within the companies of the Group and at the project sites; these costs are to be borne by Saipem, since they cannot be contractually reimbursed by the customer. These costs are recognised on specific contracts separate from operating contracts and are recognised as costs in the income statement without generating contract progress (and therefore without recognising any contract assets) and without recognising any margin. In 2020, the costs directly attributable to COVID-19 amount to about €110 million (e.g. including: costs for stand-by resources in accordance with quarantine regulations and in the event that the activities of operational sites and vessels were stopped by authorities; costs of purchasing personal protective equipment in addition to standard practices; costs of sanitising work areas; costs of organising charter flights to bring the personnel home), highlighting in the fourth quarter a decrease that reflects the Company’s adaptability and the effectiveness of the measures put in place.
2. Costs indirectly related to COVID-19: these are costs incurred, or that will be incurred, for which it is impossible to establish with reasonable certainty whether they are due to the pandemic or to other causes such as, for instance, changing market conditions linked to fluctuations in crude oil prices. These are, by way of example, costs due to delays in project or site activities, which have continued notwithstanding the challenges due, for example, to personnel reductions, postponements in materials deliveries or delays by customers. These types of costs are included in the full-life estimates of job orders.
3. Costs “to be evaluated case by case”: these are direct project costs for which the Company activates the “force majeure clause”, or which were incurred for staff kept on stand-by due to lockdown, and whose allocation must be assessed on a case-by-case basis due to the peculiarity of the situation, of the customer, of the contract, etc. No specific and quantifiable cases of this type have been identified.
**Reference market**: as for the possible future outlooks for the markets, there is evidence that the COVID-19 pandemic is continuing to destabilise many industrial sectors globally, since the virus has continued to spread in some developed regions (including the United States) and has spread to less affluent regions, which had initially been less affected. The energy sector has been one of the sectors most affected by the pandemic, largely due to the fall in global demand. Leading analysts forecast medium-term oil price scenarios at lower levels than previously anticipated, which is bound to have a negative effect on the entire Oil&Gas sector in the next few years and, to a greater extent, on contractors and service companies operating in the Upstream sector (Onshore and Offshore Drilling and Offshore E&C).

It should be noted that Saipem designs and constructs systems commissioned by clients on the basis of long-term investment assessments, whose realisation from the initial concept phase of the initiative, through development and construction, takes on average between four and seven years, depending on the complexity of the project.
Due to the nature of the business and its diversification in various segments, there is no direct correlation between the trend in oil prices and Saipem's financial results: as of December 2020, more than 70% of its E&C backlog was made up of non-oil projects, including LNG and renewables (energy efficiency).
**Business outlook**: the business scenario for 2021 will remain affected by the pandemic, especially in the first half of the year. For this reason, the Company is currently unable to provide a timely financial guidance. The volumes of the year and beyond are well supported by the large backlog, whose mix of projects and operational progress allows to predict for 2021 an adjusted EBITDA similar to that of 2020. New initiatives to reduce overheads have been launched on structural costs for about €30 million in 2021, in addition to the savings of 2020. The capital expenditure expected for 2021 amounts to around €450 million.
Beyond 2021, as the vaccination campaign continues and execution of projects progresses, combined with efficiencies and a further resumption of commercial activity, an increase of the adjusted EBITDA is expected, together with a resumption of the path of reducing net financial debt.
This scenario does not take account of a further and possible significant deterioration of the macroeconomic environment and of business as a result, for example, of the intensification of the COVID-19 pandemic.
The situation of uncertainty caused by the ongoing pandemic and the concern for the variants of the virus, while at the same time mitigated by the expectations linked to the discovery and distribution of the vaccines, could have non-quantifiable and significant effects on the commercial and operational activities and consequently on the Group's economic and financial position, also in light of the following:

- construction sites and logistics bases: limited productivity and delays in engineering activities due to restrictions on travel and presence at operating sites;
- ongoing projects: reduction in the scopes of work, interruption of projects due to "force majeure", slowing down of activities due to a reduction in project personnel, requests for discounts from customers on rental rates for drilling rigs, problems relating to the rotation of expat personnel abroad and team changes;
- current commercial tenders: lengthening of contract award timeframes.

Despite the crisis caused by the COVID-19 pandemic and the changing market conditions resulting from it, the going concern assumption used in the preparation of the annual consolidated financial statement as of December 31, 2020 may, based on the information available as of today, be considered adequate also as a result of the management and containment measures implemented, as described above.

### REVENUE, CONTRACT ASSETS AND CONTRACT LIABILITIES

The processes and methods for recognising revenue and measuring contract assets and liabilities from work in progress are based on the estimate of total lifetime revenue and costs of long-term projects, the appreciation of which is influenced by significant valuations which by their nature imply recourse to the judgement of the Directors, specifically with reference to the forecast of costs to complete each project including the estimate of the risks and contractual penalties, where applicable, to the evaluation of contractual changes envisaged or being negotiated and any changes in estimates compared to the previous year. In particular, in evaluating contract assets from work in progress, account is taken of the requests of additional costs with respect to those contractually agreed, if substantially approved by the customer in their scope and/or price.

### IMPAIRMENT OF FINANCIAL ASSETS

Checking, classification and measurement of the counterparty credit risk for the purpose of calculating the impairment of financial assets is a detailed, complex process that requires the Top Management to provide a professional judgment.
In a manner similar to impairment processes involving other items of the financial statements, the estimates made, although based on the best information available and on the adoption of adequate methods and techniques of evaluation, are intrinsically characterised by elements of uncertainty and by the exercise of a professional opinion, and could generate forecasts of recoverable amounts different from those that will be effectively realised.

### IMPAIRMENT OF NON-FINANCIAL ASSETS

Impairment losses of non-financial assets are recognised if events or changes in circumstances indicate that their carrying amount may not be recoverable.
Impairment can be recognised in the event of significant prolonged changes in the outlook for the market segment in which the non-financial asset is used. The decision as to whether to proceed with an impairment loss and its quantification depend on assessments made by Management based on complex and highly uncertain factors, such as the future performance of the reference market, the impact of inflation and of technological advances on operating expenses, the conditions of supply and demand on a global or regional scale, the evolution of the operations and business activities of the divisions, the business insight deriving from discussions and interactions of a strategic or commercial nature by the divisions with customers, partners, suppliers and competitors.
The amount of an impairment loss of a non-financial asset is determined by comparing the carrying amount of the asset with its recoverable amount (the higher of fair value less costs to sell and value in use calculated as the present value of the future cash flows expected to be derived from the use of the asset net of disposal costs). This assessment is carried out at the level of the smallest group of assets (cash generating unit or CGU) that generates cash inflows and outflows that are largely independent of the cash flows generated by other assets or groups of assets and on the basis of which Management assesses the profitability of the business.
In July 2018, the Board of Directors of Saipem SpA approved a new strategic direction for the Group, defining specific strategic objectives and priorities for each division. At the same time, the Board of Directors of Saipem SpA approved amendments to the

organisational and governance structure, which were implemented in the second half of the year, in order to complete the process of divisionalisation undertaken in 2017. In line with this strategic orientation, the commercial business processes concerning acquisition of projects and purchases of goods and services, the process of strategic planning and of authorisation of investments are substantially delegated to the Division Managers. The concurrent changes to organisation and governance introduced have given rise to a different mode of operational management of the divisions, now characterised by greater and more direct operating, management and strategic responsibility on the part of the Division Managers.
Beginning with the Interim Consolidated Financial Report as of June 30, 2018 and following the adoption of the new strategic direction and the resulting change to the organisational model outlined above, the impairment test procedure of the Group's CGUs was consistently updated, modifying the process of estimating the discount rate used to estimate the value in use, providing for the determination of WACC differentiated by business segment, so as to reflect the specific risks of the individual business segments to which the tested CGUs belong.
Considering that the changes made to the methods for estimating the cost of capital are motivated and attributable to the new elements introduced following the resolution on the new strategic direction and the redefinition of the organisational structure, the refinement/updating of the impairment test procedure carried out in 2018 falls within the meaning of the "change in accounting estimates" pursuant to IAS 8. As a result, the effects of this update were applied on a forward-looking basis, beginning with the preparation of the Interim Consolidated Financial Report as of June 30, 2018, and not retroactively.
The cash flows expected for each CGU are quantified on the basis of the last Strategic Plan, also with reference to the actual results, prepared by the management and approved by the BoD. The plan contains the forecasts, developed by the management in light of the information available at the time of the estimate, with regard to the volumes of business, operating expenses, margins, investments coherent with strategic guidelines, as well as the industrial, commercial and strategic positioning of the specific divisions and also taking account of the market situation (including the performance of the main monetary variables such as exchange rates and inflation). Thus the plan forecasts (as well as the long-term forecasts after the plan period), while based on complex assumptions that by their nature imply recourse to the opinion of the directors, are grounded in reasonably objective foundations (which, in other words, take account of the market context and specific characteristics of Saipem) and are not conditioned on the occurrence of a specific event (such as the success of new technology) in order to express, at the same time, the best estimate of the management and expected average flows.
Lastly, in line with the provisions of IAS 36, the cash flows used for the purposes of the impairment test do not take into account any future cash inflows or outflows deriving from: (i) a future restructuring still to be approved or to which the Group is not committed yet, or (ii) the improvement or optimisation of business performance on the basis of initiatives still to be undertaken or approved, or for which there is still no commitment towards third parties for the increase of production capacity with respect to current capacity.
The cash flows calculated in this way are discounted using rates that take account of the risk specific to the business segments to which the individual CGUs belong.
For assets other than independent CGUs (i.e. Offshore E&C vessels, Offshore E&C and Onshore E&C construction yards and the drilling rigs of Onshore Drilling) and that recognise an impairment loss, the sustainability of the residual technical-economic life of the asset is verified to determine whether there is any need to report a write-down pursuant to IAS 16, before performing the impairment test at the level of the CGU to which it pertains.
Goodwill and other intangible assets with an indefinite useful life are not amortised. The recoverability of their carrying amount is tested at least annually and whenever events occur indicating a reduction in their value. Goodwill is also tested for impairment at the level of the CGU to which goodwill relates. If the carrying amount of the CGU, including goodwill allocated thereto, exceeds its recoverable amount, the excess is recognised as impairment. The impairment loss is first allocated to reduce the carrying amount of goodwill. Any remaining excess is allocated on a pro-rata basis to the carrying amount of the other assets with a finite useful life that form the CGU.

### LEASES

Given the complexity and multi-year lease terms, a number of judgments have to be made by management to define the policies to be adopted in order to identify and assess the aspects that have an impact on the recognition of the accounts and presentation of the financial statements, such as:

- determining the likelihood that a lease will be extended and/or terminated, which affects the assessment of periods covered by extension (or early termination) options for the purpose of determining the lease term. In this connection, the reasonable certainty of being able to exercise these options is ascertained as of the commencement date, in consideration of all the facts and circumstances that generate an economic incentive to exercise them, as well as when significant events or changes in the circumstances under the control of the lessee occur, that affect the assessment previously made;
- the identification of variable payments and their characteristics for the purposes of estimating their inclusion, or not, in the determination of the lease liability and the "Right-of-Use" asset (variable payments linked to the use of the asset or turnover are charged to the income statement and therefore they do not participate in their determination);
- the discount rate used to determine the lease liability, represented by the lessee's incremental borrowing rate. This rate is defined taking into account the duration of the leases, the currency in which they are denominated and the characteristics of the economic environment in which the lessee operates. The present value of payments owed on a lease is determined by using a discount rate that reflects the incremental borrowing rate of Saipem and is defined on the basis of the euro benchmark zero coupon yield curve adjusted for Saipem risk. The rate is determined also taking account of the risk related to the currency of denomination and duration of the underlying contract.

As regards the impairment test for the lessee, the "Right-of-Use" assets are to be included in the impairment test to assess any reductions in value pursuant to IAS 36, similarly to the other company-owned assets. As regards the verification of the recoverability of the Right-of-Use assets the following are to be considered: (i) the allocation to the CGUs of the "Right-of-Use"

assets; (ii) the duration of the underlying lease with respect to the time horizon considered in the determination of the cash flows of the CGU; (iii) the value in use of a CGU that contains a Right-of-Use asset.
In the impairment test, Saipem: (i) uses discount rates that reflect the financial leverage of the lease contracts; (ii) considers Right of Use in the tested net invested capital; (iii) determines Value in Use excluding the related lease payments.

#### BUSINESS COMBINATIONS

Accounting for business combinations requires the difference between the purchase price and the net carrying amount of an acquired business to be allocated to the various assets and liabilities of the acquired business. For most assets and liabilities, the difference is allocated by measuring said assets and liabilities at fair value. Any positive residual difference is recognised as goodwill. Negative residual differences are taken to the income statement. The allocation on a provisional basis of the price paid is subject to revision/update within 12 months following the acquisition, taking into consideration new information on facts and circumstances existing at the date of acquisition. The Top Management uses available information to make these allocations and, for major business combinations, typically engages an independent appraisal firm. The allocation process, which requires, based on the information available, exercising a complex judgement by the Management, is also relevant for the purposes of applying the equity method.

#### PROVISIONS FOR RISKS AND CHARGES

Saipem and some Group companies are part of judicial and administrative proceedings for which they assess the possibility to accrue for risks primarily related to litigation and tax issues. The process and methods for assessing the risks associated with these proceedings are based on complex elements that by their nature imply recourse to the judgement of the directors, specifically with reference to the assessment of uncertainties related to forecasting the results of the proceedings, their classification to the provisions or liabilities, taking into account the assessment information acquired by the internal legal department and by external legal advisers.
Determining appropriate amounts for provisions in such cases is a complex estimation process that includes subjective judgements by the Top Management.

#### EMPLOYEE BENEFITS

Defined benefit plans are measured with reference to uncertain events and based upon actuarial assumptions including, among others, discount rates, expected rates of salary increases, mortality rates, retirement ages and future trends in covered medical costs.
The most significant assumptions used to quantify such benefits are determined as follows: (i) discount and inflation rates reflect the rates at which the benefits could be effectively settled. These are based on the rates of return on high-quality corporate bonds (or, where there is no deep market in such bonds, on the market yields on government bonds) and on inflation rate forecasts for the countries involved or the reference currency area; (ii) the future salary levels of individual employees are determined based on inflation rate assumptions, productivity, seniority and promotion; (iii) future medical costs are determined based on elements such as past and current medical cost trends including assumptions on healthcare inflation, and changes in health status of the participants; (iv) demographic assumptions reflect the best estimate of variables such as mortality, disability and turnover for the specific population involved.
Changes in the net employee benefit liability (asset) related to remeasurements routinely occur and comprise, among other things, changes in actuarial assumptions, the effects of differences between the previous actuarial assumptions and what has actually occurred and differences in the return on plan assets with respect to the amounts included in net interest. Remeasurements are recognised in the statement of comprehensive income for defined benefit plans and in the income statement for long-term plans.

#### RECEIVABLES

The recoverability of the carrying amount of receivables and the need to recognise an impairment loss on of them is determined on the basis of the so-called "expected credit loss model" illustrated in the paragraph entitled "Impairment of financial assets". This process also involves complex and/or subjective judgements by Management. The factors considered in the context of these judgements concern, among other things, the creditworthiness of the counterparty where available, the amount and timing of expected future payments, any credit risk mitigation instruments implemented, as well as any actions set up or planned for debt recovery.

#### FAIR VALUE

The determination of the fair value of financial and non-financial instruments is a detailed process characterised by the use of complex methods and techniques of assessment and that requires the collection of updated information from the reference markets and/or the use of internal input data.
Like for the other estimates, determination of the fair value, although based on the best information available and on the adoption of adequate measurement methods and techniques, is intrinsically characterised by elements of uncertainty and by the exercise of professional judgement, and could generate forecasts of values different from those that will be effectively realised.

# 5 Recent standards, effective from 2021 and following years

### Accounting standards and interpretations issued by the IASB/IFRIC and endorsed by the European Union

With Regulation No. 2020/2097, issued by the European Commission on December 16, 2020, approval was granted of the changes to IFRS 4 "Insurance Contracts". The reason for the amendments is to address the temporary accounting consequences caused by the time lag between the effective date of IFRS 9 "Financial Instruments" and the effective date of the future IFRS 17 "Insurance Contracts". In particular, the amendments to IFRS 4 extend the expiry of the temporary exemption from applying IFRS 9 until 2023 in order to align the effective date of IFRS 9 with the new IFRS 17. The provisions shall be effective on or after January 1, 2021.

Regulation No. 2021/25, issued by the European Commission on January 13, 2021, approves the document "Interest Rate Benchmark Reform - Phase 2, Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (the amendments)" whereby IASB rolled out the second stage of the reform of benchmark rate changes. These changes relate to the accounting to be applied if the basis for determining the contractual cash flows of financial assets or liabilities is changed and to the impact of such changes on hedging relationships affected by the IBOR reform (hedging instrument and/or hedged item). These changes shall be effective on or after January 1, 2021.

At present Saipem believes that the amendments described above have had no significant impact on the Group.

### Accounting standards and interpretations issued by the IASB/IFRIC and not yet endorsed by the European Commission

On May 14, 2020, the IASB issued the document "Annual Improvements to IFRS Standards 2018-2020 Cycle" and published amendments to IAS 16 "Property, plant and equipment", IAS 37 "Provisions, contingent liabilities and contingent assets", IFRS 3 "Business combinations". The policy changes shall be effective on or after January 1, 2022.

On June 25, 2020, the IASB issued the amendments to IFRS 17 "Insurance Contracts", defining the accounting treatment of insurance contracts issued and reinsurance contracts held. The provisions of IFRS 17, which exceed those currently laid down in IFRS 4 "Insurance contracts", aim to help businesses to implement the standard and to (i) reduce costs, simplifying the requirements laid down in the standard; (ii) make it easier to enter the disclosures in the financial statements; (iii) facilitate the transition to the new standard, postponing its entry into force. These changes shall be effective on or after January 1, 2023.

On July 15, 2020, the IASB issued the document "Classification of Liabilities as Current or Non current -Deferral of Effective Date (Amendment to IAS 1)" which, due to the COVID-19 pandemic, postponed the effective date of the amendments to January 1, 2023.

On February 12, 2021, the IASB issued the document "Amendments to IAS 8, Definition of Accounting Estimates", which clarifies the notion of accounting estimates by removing the definition of change in accounting estimates. Under the new definition, accounting estimates are defined as monetary amounts subject to a measure of uncertainty; the amendments clarify how individual entities should distinguish changes in accounting policies from changes in accounting estimates. This distinction is important because changes in accounting estimates are applied prospectively only to future transactions and other future events, whereas changes in accounting policies are generally applied retrospectively. The policy changes shall be effective on or after January 1, 2023.

On February 12, 2021, the IASB issued the document "Amendments to IAS 1 and IFRS Practice Statement 2, Disclosure of Accounting Policies" requiring individual entities to supply more information about their accounting policies, rather than accounting standards. The changes to the Practice Statement provide guidance on how to apply the concept of materiality to financial reporting. The policy changes shall be effective on or after January 1, 2023.

Saipem is currently assessing the possible impacts of the above-mentioned amendments on the Group.

# 6 Consolidation scope as of December 31, 2020

## Parent company

| Company | Registered office | Currency | Share capital | Shareholders | % owned | Saipem's consolidation (%) | Method of consolidation or evaluation principles (*) |
|---|---|---|---|---|---|---|---|
| **Saipem SpA** | San Donato Milanese | EUR | 2,191,384,693 | Eni SpA | 30.54 | | |
| | | | | CDP Industria SpA | 12.55 | | |
| | | | | Saipem SpA | 1.74 | | |
| | | | | Third parties | 55.17 | | |

## Subsidiaries

### Italy

| Company | Registered office | Currency | Share capital | Shareholders | % owned | Saipem's consolidation (%) | Method of consolidation or evaluation principles (*) |
|---|---|---|---|---|---|---|---|
| **Denuke Scarl** | San Donato Milanese | EUR | 10,000 | Saipem SpA | 55.00 | 55.00 | F.C. |
| | | | | Third parties | 45.00 | | |
| **International Energy Services SpA** | San Donato Milanese | EUR | 50,000 | Saipem SpA | 100.00 | 100.00 | F.C. |
| **Saipem Offshore Construction SpA** | San Donato Milanese | EUR | 20,000,000 | Saipem SpA | 100.00 | 100.00 | F.C. |
| **Servizi Energia Italia SpA** | San Donato Milanese | EUR | 20,000,000 | Saipem SpA | 100.00 | 100.00 | F.C. |
| **Smacemex Scarl** (**) | San Donato Milanese | EUR | 10,000 | Saipem SpA | 60.00 | 60.00 | Co. |
| | | | | Third parties | 40.00 | | |
| **SnamprogettiChiyoda sas di Saipem SpA** | San Donato Milanese | EUR | 10,000 | Saipem SpA | 99.90 | 99.90 | F.C. |
| | | | | Third parties | 0.10 | | |

### Outside Italy

| Company | Registered office | Currency | Share capital | Shareholders | % owned | Saipem's consolidation (%) | Method of consolidation or evaluation principles (*) |
|---|---|---|---|---|---|---|---|
| **Andromeda Consultoria Tecnica e Representações Ltda** | Rio de Janeiro (Brazil) | BRL | 20,494,210 | Saipem SpA | 99.00 | 100.00 | F.C. |
| | | | | Snamprogetti Netherlands BV | 1.00 | | |
| **Boscongo SA** | Pointe-Noire (Congo) | XAF | 6,190,600,500 | Saipem SA | 100.00 | 100.00 | F.C. |
| **ER SAI Caspian Contractor Llc** | Almaty (Kazakhstan) | KZT | 1,105,930,000 | Saipem International BV | 50.00 | 50.00 | F.C. |
| | | | | Third parties | 50.00 | | |
| **ERS - Equipment Rental & Services BV** | Amsterdam (Netherlands) | EUR | 90,760 | Saipem International BV | 100.00 | 100.00 | F.C. |
| **European Maritime Construction sas** | Montigny le Bretonneux (France) | EUR | 42,370 | Saipem SA | 100.00 | 100.00 | F.C. |
| **Global Petroprojects Services AG** | Zurich (Switzerland) | CHF | 5,000,000 | Saipem International BV | 100.00 | 100.00 | F.C. |
| **Moss Maritime AS** | Lysaker (Norway) | NOK | 40,000,000 | Saipem International BV | 100.00 | 100.00 | F.C. |
| **North Caspian Service Co** | Almaty (Kazakhstan) | KZT | 375,350,000 | Saipem International BV | 100.00 | 100.00 | F.C. |
| **Petrex SA** | Lima (Peru) | PEN | 469,359,045 | Saipem International BV | 100.00 | 100.00 | F.C. |
| **PT Saipem Indonesia** | Jakarta (Indonesia) | USD | 372,778,100 | Saipem International BV | 99.99 | 99.99 | F.C. |
| | | | | Third parties | 0.01 | | |

(*) F.C. = full consolidation, J.O. = joint operation, E.M. = equity method, Co. = cost method.
(**) In liquidation.

| Company | Registered office | Currency | Share capital | Shareholders | % owned | Saipem's consolidation (%) | Method of consolidation or evaluation principles (*) |
|---|---|---|---|---|---|---|---|
| **Saimexicana SA de Cv** | Delegacion Cuauhtemoc (Mexico) | MXN | 5,922,304,200 | Saipem SA | 100.00 | 100.00 | F.C. |
| **Saipem (Beijing) Technical Services Co Ltd** | Beijing (China) | USD | 6,700,000 | Saipem International BV | 100.00 | 100.00 | F.C. |
| **Saipem (Malaysia) Sdn Bhd** | Kuala Lumpur (Malaysia) | MYR | 61,033,500 | Saipem International BV<br>Third parties | 41.94<br>58.06 (a) | 100.00 | F.C. |
| **Saipem (Nigeria) Ltd** | Lagos (Nigeria) | NGN | 259,200,000 | Saipem International BV<br>Third parties | 89.41<br>10.59 | 89.41 | F.C. |
| **Saipem (Portugal) Comércio Marítimo, Sociedade Unipessoal Lda** | Caniçal (Portugal) | EUR | 299,278,738 | Saipem International BV | 100.00 | 100.00 | F.C. |
| **Saipem America Inc** | Wilmington (USA) | USD | 1,000 | Saipem International BV | 100.00 | 100.00 | F.C. |
| **Saipem Argentina de Perforaciones, Montajes y Proyectos Sociedad Anónima, Minera, Industrial, Comercial y Financiera** (**) (***) | Buenos Aires (Argentina) | ARS | 1,805,300 | Saipem International BV<br>Third parties | 99.90<br>0.10 | 99.90 | E.M. |
| **Saipem Asia Sdn Bhd** | Kuala Lumpur (Malaysia) | MYR | 8,116,500 | Saipem International BV | 100.00 | 100.00 | F.C. |
| **Saipem Australia Pty Ltd** | West Perth (Australia) | AUD | 566,800,001 | Saipem International BV | 100.00 | 100.00 | F.C. |
| **Saipem Canada Inc** | Montreal (Canada) | CAD | 100,100 | Saipem International BV | 100.00 | 100.00 | F.C. |
| **Saipem Contracting Algérie SpA** | Algiers (Algeria) | DZD | 1,556,435,000 | Sofresid SA | 100.00 | 100.00 | F.C. |
| **Saipem Contracting Netherlands BV** | Amsterdam (Netherlands) | EUR | 20,000 | Saipem International BV | 100.00 | 100.00 | F.C. |
| **Saipem Contracting Nigeria Ltd** | Lagos (Nigeria) | NGN | 827,000,000 | Saipem International BV<br>Third parties | 97.94<br>2.06 | 97.94 | F.C. |
| **Saipem do Brasil Serviçõs de Petroleo Ltda** | Rio de Janeiro (Brazil) | BRL | 2,110,796,299 | Saipem International BV | 100.00 | 100.00 | F.C. |
| **Saipem Drilling Llc** | Moscow (Russia) | RUB | 10,000 | Saipem International BV | 100.00 | 100.00 | F.C. |
| **Saipem Drilling Norway AS** | Sola (Norway) | NOK | 110,000 | Saipem International BV | 100.00 | 100.00 | F.C. |
| **Saipem East Africa Ltd** | Kampala (Uganda) | UGX | 3,791,000,000 | Saipem International BV<br>Snamprogetti Netherlands BV | 51.00<br>49.00 | 100.00 | F.C. |
| **Saipem Finance International BV** | Amsterdam (Netherlands) | EUR | 1,000,000 | Saipem International BV<br>Saipem SpA | 75.00<br>25.00 | 100.00 | F.C. |
| **Saipem Guyana Inc** | Georgetown (Guyana) | GYD | 200,000 | Saipem Ltd | 100.00 | 100.00 | F.C. |
| **Saipem India Projects Private Ltd** | Chennai (India) | INR | 526,902,060 | Saipem SA | 100.00 | 100.00 | F.C. |
| **Saipem Ingenieria Y Construcciones SLU** | Madrid (Spain) | EUR | 80,000 | Saipem International BV | 100.00 | 100.00 | F.C. |
| **Saipem International BV** | Amsterdam (Netherlands) | EUR | 172,444,000 | Saipem SpA | 100.00 | 100.00 | F.C. |
| **Saipem Ltd** | Kingston upon Thames Surrey (United Kingdom) | EUR | 7,500,000 | Saipem International BV | 100.00 | 100.00 | F.C. |

(a) Percentage of control. The percentage of ownership including preferential shares is 99.02% held by Saipem International BV and 0.98% by non-controlling investors.
(*) F.C. = full consolidation, J.O. = joint operation, E.M. = equity method, Co. = cost method.
(**) In liquidation.
(***) Inactive throughout the year.

| Company | Registered office | Currency | Share capital | Shareholders | % owned | Saipem's consolidation (%) | Method of consolidation or evaluation principles (*) |
|---|---|---|---|---|---|---|---|
| **Saipem Luxembourg SA** | Luxembourg (Luxembourg) | EUR | 31,002 | Saipem Maritime Asset Management Luxembourg Sàrl | 100.00 | 100.00 | F.C. |
| **Saipem Maritime Asset Management Luxembourg Sàrl** | Luxembourg (Luxembourg) | USD | 378,000 | Saipem SpA | 100.00 | 100.00 | F.C. |
| **Saipem Misr for Petroleum Services (S.A.E.)** | Port Said (Egypt) | EUR | 2,000,000 | Saipem International BV<br>ERS - Equipment Rental & Services BV<br>Saipem (Portugal) Comércio Marítimo, Sociedade Unipessoal Lda | 99.92<br>0.04<br>0.04 | 100.00 | F.C. |
| **Saipem Moçambique Lda** | Maputo (Mozambique) | MZN | 535,075,000 | Saipem SA<br>Saipem International BV | 99.98<br>0.02 | 100.00 | F.C. |
| **Saipem Norge AS** | Sola (Norway) | NOK | 100,000 | Saipem International BV | 100.00 | 100.00 | F.C. |
| **Saipem Offshore México SA de Cv** | Delegacion Cuauhtemoc (Mexico) | MXN | 998,259,500 | Saimexicana SA de Cv | 100.00 | 100.00 | F.C. |
| **Saipem Offshore Norway AS** | Sola (Norway) | NOK | 120,000 | Saipem SpA | 100.00 | 100.00 | F.C. |
| **Saipem Romania Srl** | Aricestii Rahtivani (Romania) | RON | 29,004,600 | Snamprogetti Netherlands BV<br>Saipem International BV | 99.00<br>1.00 | 100.00 | F.C. |
| **Saipem SA** | Montigny le Bretonneux (France) | EUR | 25,050,000 | Saipem SpA | 100.00 | 100.00 | F.C. |
| **Saipem Services México SA de Cv** | Delegacion Cuauhtemoc (Mexico) | MXN | 50,000 | Saimexicana SA de Cv | 100.00 | 100.00 | F.C. |
| **Saipem Singapore Pte Ltd** | Singapore (Singapore) | SGD | 36,090,000 | Saipem SA | 100.00 | 100.00 | F.C. |
| **Saiwest Ltd** | Accra (Ghana) | GHS | 937,500 | Saipem SA<br>Third parties | 49.00<br>51.00 | 49.00 | F.C. |
| **Sajer Iraq Co for Petroleum Services, Trading, General Contracting & Transport Llc** | Baghdad (Iraq) | IQD | 300,000,000 | Saipem International BV<br>Third parties | 60.00<br>40.00 | 60.00 | F.C. |
| **Saudi Arabian Saipem Ltd** | Al-Khobar (Saudi Arabia) | SAR | 130,000,000 | Saipem International BV | 100.00 | 100.00 | F.C. |
| **Saudi International Energy Services Ltd Co** | Dhahran (Saudi Arabia) | SAR | 1,000,000 | International Energy Services SpA | 100.00 | 100.00 | F.C. |
| **Sigurd Rück AG** | Zurich (Switzerland) | CHF | 25,000,000 | Saipem International BV | 100.00 | 100.00 | F.C. |
| **Snamprogetti Engineering & Contracting Co Ltd** | Dhahran (Saudi Arabia) | SAR | 10,000,000 | Snamprogetti Netherlands BV | 100.00 | 100.00 | F.C. |
| **Snamprogetti Engineering BV** | Schiedam (Netherlands) | EUR | 18,151 | Saipem Maritime Asset Management Luxembourg Sàrl | 100.00 | 100.00 | F.C. |
| **Snamprogetti Netherlands BV** | Amsterdam (Netherlands) | EUR | 203,000 | Saipem SpA | 100.00 | 100.00 | F.C. |
| **Snamprogetti Saudi Arabia Co Ltd Llc** | Al-Khobar (Saudi Arabia) | SAR | 10,000,000 | Saipem International BV<br>Snamprogetti Netherlands BV | 95.00<br>5.00 | 100.00 | F.C. |
| **Sofresid Engineering SA** | Montigny le Bretonneux (France) | EUR | 1,217,783 | Sofresid SA<br>Third parties | 99.99<br>0.01 | 100.00 | F.C. |
| **Sofresid SA** | Montigny le Bretonneux (France) | EUR | 26,454,765 | Saipem SA | 100.00 | 100.00 | F.C. |
| **Sonsub International Pty Ltd** | West Perth (Australia) | AUD | 13,157,570 | Saipem Australia Pty Ltd | 100.00 | 100.00 | F.C. |

(*) F.C. = full consolidation, J.O. = joint operation, E.M. = equity method, Co. = cost method.

# Associates and jointly controlled companies

## Italy

| Company | Registered office | Currency | Share capital | Shareholders | % owned | Saipem's consolidation (%) | Method of consolidation or evaluation principles (*) |
|---|---|---|---|---|---|---|---|
| **ASG Scarl** | San Donato Milanese | EUR | 50,864 | Saipem SpA<br>Third parties | 55.41<br>44.59 | 55.41 | E.M. |
| **CCS JV Scarl** Δ | San Donato Milanese | EUR | 150,000 | Servizi Energia Italia SpA<br>Third parties | 75.00<br>25.00 | 75.00 | E.M. |
| **CEPAV (Consorzio Eni per l'Alta Velocità) Due** | San Donato Milanese | EUR | 51,646 | Saipem SpA<br>Third parties | 59.09<br>40.91 | 59.09 | E.M. |
| **CEPAV (Consorzio Eni per l'Alta Velocità) Uno** | San Donato Milanese | EUR | 51,646 | Saipem SpA<br>Third parties | 50.36<br>49.64 | 50.36 | E.M. |
| **Consorzio F.S.B.** Δ | Venice - Marghera | EUR | 15,000 | Saipem SpA<br>Third parties | 29.10<br>70.90 | 29.10 | Co. |
| **Consorzio Sapro** Δ | San Giovanni Teatino | EUR | 10,329 | Saipem SpA<br>Third parties | 51.00<br>49.00 | 51.00 | Co. |
| **Rosetti Marino SpA** | Ravenna | EUR | 4,000,000 | Saipem SA<br>Third parties | 20.00<br>80.00 | 20.00 | E.M. |
| **SCD JV Scarl** Δ | San Donato Milanese | EUR | 100,000 | Servizi Energia Italia SpA<br>Third parties | 59.32<br>40.68 | 60.00 | E.M. |
| **Ship Recycling Scarl** (**) Δ | Genoa | EUR | 10,000 | Saipem SpA<br>Third parties | 51.00<br>49.00 | 51.00 | J.O. |

## Outside Italy

| Company | Registered office | Currency | Share capital | Shareholders | % owned | Saipem's consolidation (%) | Method of consolidation or evaluation principles (*) |
|---|---|---|---|---|---|---|---|
| **CCS LNG Mozambique Lda** (***) Δ | Maputo (Mozambique) | MZN | 150,000 | Saipem International BV<br>Third parties | 33.33<br>66.67 | 33.33 | E.M. |
| **CCS Netherlands BV** (**) (***) Δ | Amsterdam (Netherlands) | EUR | 300,000 | Saipem International BV<br>Third parties | 33.33<br>66.67 | 33.33 | E.M. |
| **Charville - Consultores e Serviços Lda** Δ | Funchal (Portugal) | EUR | 5,000 | Saipem International BV<br>Third parties | 50.00<br>50.00 | 50.00 | E.M. |
| **Gydan Lng Snc** | Courbevoie (France) | EUR | 9,000 | Sofresid SA<br>Third parties | 15.00<br>85.00 | 15.00 | E.M. |
| **Gydan Yard Management Services (Shanghai) Co Ltd** | Shanghai (China) | CNY | 1,600,000 | Saipem (Beijing) Technical Services Co Ltd<br>Third parties | 15.15<br>84.85 | 15.15 | E.M. |
| **Gygaz Snc** | Courbevoie (France) | EUR | 10,000 | Sofresid SA<br>third parties | 15.15<br>84.85 | 15.15 | E.M. |
| **Hazira Cryogenic Engineering & Construction Management Private Ltd** Δ | Mumbai (India) | INR | 500,000 | Saipem SA<br>Third parties | 55.00<br>45.00 | 55.00 | E.M. |
| **KWANDA Suporte Logistico Lda** | Luanda (Angola) | AOA | 25,510,204 | Saipem SA<br>Third parties | 40.00<br>60.00 | 40.00 | E.M. |
| **Mangrove Gas Netherlands BV** Δ | Amsterdam (Netherlands) | EUR | 2,000,000 | Saipem International BV<br>Third parties | 50.00<br>50.00 | 50.00 | E.M. |
| **Novarctic Snc** | Courbevoie (France) | EUR | 9,000 | Sofresid SA<br>Third parties | 33.33<br>66.67 | 33.33 | E.M. |
| **Petromar Lda** Δ | Luanda (Angola) | USD | 357,143 | Saipem SA<br>Third parties | 70.00<br>30.00 | 70.00 | E.M. |
| **PSS Netherlands BV** Δ | Leiden (Netherlands) | EUR | 30,000 | Saipem SpA<br>Third parties | 36.00<br>64.00 | 36.00 | E.M. |
| **Sabella SA** | Quimper (France) | EUR | 10,955,789 | Sofresid Engineering SA<br>Third parties | 10.59<br>89.41 | 10.59 | E.M. |
| **SaiPar Drilling Co BV** Δ | Amsterdam (Netherlands) | EUR | 20,000 | Saipem International BV<br>Third parties | 50.00<br>50.00 | 50.00 | E.M. |
| **Saipem Dangote E&C Ltd** (***) Δ | Victoria Island - Lagos (Nigeria) | NGN | 100,000,000 | Saipem International BV<br>Third parties | 49.00<br>51.00 | 49.00 | E.M. |

(*) F.C. = full consolidation, J.O. = joint operation, E.M. = equity method, Co. = cost method.
(**) In liquidation.
(***) Inactive throughout the year.
Δ Jointly-controlled company.

| Company | Registered office | Currency | Share capital | Shareholders | % owned | Saipem's consolidation (%) | Method of consolidation or evaluation principles (*) |
|---|---|---|---|---|---|---|---|
| **Saipem Taqa Al Rushaid Fabricators Co Ltd** | Dammam (Saudi Arabia) | SAR | 40,000,000 | Saipem International BV<br>Third parties | 40.00<br>60.00 | 40.00 | E.M. |
| **Saipon Snc ∆** | Montigny le Bretonneux (France) | EUR | 20,000 | Saipem SA<br>Third parties | 60.00<br>40.00 | 60.00 | E.M. |
| **Saren BV ∆** | Amsterdam (Netherlands) | EUR | 20,000 | Servizi Energia Italia SpA<br>Third parties | 50.00<br>50.00 | 50.00 | E.M. |
| **Saren Llc ∆** | Murmansk (Russia) | RUB | 10,000 | Saren BV | 100.00 | 50.00 | E.M. |
| **Société pour la Réalisation du Port de Tanger Méditerranée ∆** | Anjra (Morocco) | EUR | 33,000 | Saipem SA<br>Third parties | 33.33<br>66.67 | 33.33 | E.M. |
| **Southern Gas Constructors Ltd ∆** | Lagos (Nigeria) | NGN | 10,000,000 | Saipem International BV<br>Third parties | 50.00<br>50.00 | 50.00 | E.M. |
| **Sud-Soyo Urban Development Lda (***) ∆** | Soyo (Angola) | AOA | 20,000,000 | Saipem SA<br>Third parties | 49.00<br>51.00 | 49.00 | E.M. |
| **T.C.P.I. Angola Tecnoprojecto Internacional SA** | Luanda (Angola) | AOA | 9,000,000 | Petromar Lda<br>Third parties | 35.00<br>65.00 | 24.50 | E.M. |
| **TMBYS SAS ∆** | Guyancourt (France) | EUR | 30,000 | Saipem SA<br>Third parties | 33.33<br>66.67 | 33.33 | E.M. |
| **TSGI Mühendislik İnşaat Ltd Şirketi ∆** | Istanbul (Turkey) | TRY | 594,657,675 | Saipem Ingenieria Y Construcciones SLU<br>Third parties | 33.33<br>66.67 | 33.33 | E.M. |
| **TSKJ II - Construções Internacionais, Sociedade Unipessoal, Lda** | Funchal (Portugal) | EUR | 5,000 | TSKJ - Servições de Engenharia Lda | 100.00 | 25.00 | E.M. |
| **TSKJ - Nigeria Ltd** | Lagos (Nigeria) | NGN | 50,000,000 | TSKJ II - Construções Internacionais, Sociedade Unipessoal, Lda | 100.00 | 25.00 | E.M. |
| **TSKJ - Servições de Engenharia Lda** | Funchal (Portugal) | EUR | 5,000 | Snamprogetti Netherlands BV<br>Third parties | 25.00<br>75.00 | 25.00 | E.M. |
| **Xodus Subsea Ltd ∆** | London (United Kingdom) | GBP | 1,000,000 | Saipem International BV<br>Third parties | 50.00<br>50.00 | 50.00 | E.M. |

As of December 31, 2020, the companies of Saipem SpA can be broken down as follows:

| | Subsidiaries | | | Associates and jointly controlled companies | | |
|---|---|---|---|---|---|---|
| | **Italy** | **Outside Italy** | **Total** | **Italy** | **Outside Italy** | **Total** |
| **Subsidiaries/Joint operations and their participating interests** | **5** | **55** | **60** | **1** | **-** | **1** |
| Consolidated companies | 5 | 55 | 60 | - | - | - |
| Companies consolidated as a joint operation | - | - | - | 1 | - | 1 |
| **Participating interests held by consolidated companies (1)** | **1** | **1** | **2** | **8** | **29** | **37** |
| Accounted for using the equity method | - | 1 | 1 | 6 | 29 | 35 |
| Accounted for using the cost method | 1 | - | 1 | 2 | - | 2 |
| **Total companies** | **6** | **56** | **62** | **9** | **29** | **38** |

(1) The participating interests held by subsidiaries and joint operations accounted for using the equity method and the cost method relate to immaterial entities and entities whose consolidation would not have a material impact.

(*) F.C. = full consolidation, J.O. = joint operation, E.M. = equity method, Co. = cost method.
(***) Inactive throughout the year.
∆ Jointly-controlled company.

## Changes in the consolidation scope

There were the following scope changes in the consolidation of the Group in 2020 with respect to the consolidated financial statements as of December 31, 2019.

New incorporations, disposals, liquidations, mergers and changes to the consolidation method:
- **Gydan Yard Management Services (Shanghai) Co Ltd** was established in China and accounted for using the equity method;
- **Rodano Consortile Scarl**, previously placed in liquidation and accounted for using the equity method, was removed from the Register of Companies;
- **Sagio - Companhia Angolana de Gestão de Instalaçao Offshore Ltda**, previously placed in liquidation and accounted for using the equity method, was removed from the Register of Companies;
- **Saren Llc**, with registered offices in Russia, was incorporated and accounted for using the equity method;
- following a capital increase, ownership of **Sabella SA**, is as follows: 10.59% held by Sofresid Engineering SA and 89.41% by third parties. The company is still accounted for using the equity method;
- following a share transfer by a third party, proportionally to the other shareholders, ownership of **CCS JV Scarl**, is as follows: 75% held by Servizi Energia Italia SpA and 25% by third parties;
- **CCS Netherlands BV**, accounted for using the equity method, was placed in liquidation.

## 7 Cash and cash equivalents

Cash and cash equivalents amounted to €1,687 million, a decrease of €585 million compared with December 31, 2019 (€2,272 million).

Cash and cash equivalents at the end of the year, denominated in euros for 62%, US dollars for 24% and other currencies for 14%, were found to be remunerated at an average rate of 0.14%. Cash and cash equivalents included cash and cash on hand of €3 million (€2 million as of December 31, 2019).

Cash at the end of the year included for a total of €571 million: (i) cash and cash equivalents of €401 million in current accounts of projects executed in partnership or joint venture; (ii) cash and cash equivalents of €167 million in current accounts denominated in currencies subject to movement and/or convertibility restrictions; (iii) cash and cash equivalents amounting to €3 million in current accounts frozen or subject to restrictions.

The breakdown of cash and cash equivalents of Saipem and other Group companies as of December 31, 2020 by geographical segment (based on the country of domicile of the relevant company) was as follows:

| (€ million) | Dec. 31, 2019 | Dec. 31, 2020 |
|---|---|---|
| Italy | 1,194 | 1,011 |
| Rest of Europe | 205 | 124 |
| CIS | 16 | 66 |
| Middle East | 242 | 63 |
| Far East | 207 | 108 |
| North Africa | 2 | 4 |
| Sub-Saharan Africa | 36 | 47 |
| Americas | 370 | 264 |
| **Total** | **2,272** | **1,687** |

## 8 Financial assets measured at fair value through OCI

Financial assets measured at fair value through OCI amounted to €68 million (€87 million as of December 31, 2019) and were as follows:

| (€ million) | Dec. 31, 2019 | Dec. 31, 2020 |
|---|---|---|
| **Securities for non-operating purposes** | | |
| Listed bonds issued by sovereign states/supranational institutions | 19 | 7 |
| Listed bonds issued by industrial companies | 68 | 61 |
| **Total** | **87** | **68** |

The reduction of €12 million refers to the sale, in the second half of the year, of listed securities issued by sovereign States, mainly France and Ireland with negligible effects on OCI.

Listed bonds issued by sovereign states/supranational institutions as of December 31, 2020 of €7 million were as follows:

| (€ million) | Notional amount | Fair value | Nominal rate of return (%) | Maturity | Standard & Poor's rating classification |
|---|---|---|---|---|---|
| **Fixed rate bonds** | | | | | |
| Poland | 6 | 7 | 3.75-4.50 | 2022-2023 | A |
| **Total** | **6** | **7** | | | |

Listed bonds issued by industrial companies as of December 31, 2020 of €61 million were as follows:

| (€ million) | Notional amount | Fair value | Nominal rate of return (%) | Maturity | Standard & Poor's rating classification |
|---|---|---|---|---|---|
| **Fixed rate bonds** | | | | | |
| Listed bonds issued by industrial companies | 59 | 61 | 0.25-6.25 | 2021-2028 | AA/BBB+ |
| **Total** | **59** | **61** | | | |

The fair value of bonds is determined on the basis of market prices. The fair value hierarchy is level 1, that is, based on quotations in active markets. The bonds measured at fair value through OCI are held both to collect contractual cash flows and for future sale.

Listed bonds issued by sovereign states/supranational institutions and by industrial companies held by the Group fall within the scope of analysis for the determination of expected losses.
Given the high creditworthiness of the issuers (investment grade) the impact of expected losses on the bonds in question as of December 31, 2020 is irrelevant.

# 9 Other financial assets

## Other current financial assets

Other current financial assets of €344 million (€180 million as of December 31, 2019) consist of the following:

| (€ million) | Dec. 31, 2019 | Dec. 31, 2020 |
|---|---|---|
| Loan assets for operating purposes | 2 | 2 |
| Loan assets for non-operating purposes | 178 | 342 |
| **Total** | **180** | **344** |

Loan assets for operating purposes of €2 million (€2 million as of December 31, 2019) were related to receivables held by Saipem SpA from Serfactoring SpA.
Loan assets for non-operating purposes of €342 million (€178 million as of December 31, 2019) were related mainly to the portion of cash and cash equivalents recognised in the financial statements of the companies CCS JV Scarl which is carrying out an important project in Mozambique.
Other current financial assets from related parties are shown in Note 38 "Related party transactions".

## Other non-current financial assets

The other non-current financial assets that are not instrumental to operations equal to €66 million (€69 million as of December 31, 2019), include mainly the amount of two frozen bank accounts belonging to Saipem Contracting Algérie SpA for a total of €58 million (€59 million before discounting), classified as other non-current financial assets due to the protracted proceedings in Algeria.

# 10 Trade receivables and other assets

Trade receivables and other assets of €1,991 million (€2,601 million as of December 31, 2019) were as follows:

| (€ million) | Dec. 31, 2019 | Dec. 31, 2020 |
|---|---|---|
| Trade receivables | 2,244 | 1,663 |
| Prepayments for services | 220 | 199 |
| Other receivables | 137 | 129 |
| **Total** | **2,601** | **1,991** |

Receivables are stated net of a loss allowance of €685 million, whose movement is shown below:

| (€ million) | Dec. 31, 2019 | Accruals | Utilisations | Exchange differences | Other changes | Dec. 31, 2020 |
|---|---|---|---|---|---|---|
| Trade receivables | 724 | 53 | (48) | (43) | (31) | 655 |
| Other receivables | 30 | - | - | - | - | 30 |
| **Total** | **754** | **53** | **(48)** | **(43)** | **(31)** | **685** |

Trade receivables amounted to €1,663 million, representing a decrease of €581 million compared to 2019.
The credit exposure to the top five clients is in line with the Group's operations and represents around 49% of total trade receivables.
The Group is paying particular attention to monitoring revenue since, as is well known, its major clients are the main Oil Companies in the reference sector, especially affected by the current uncertain scenario characterised by the pandemic.
The recoverability of trade receivables is checked using the so-called "expected credit loss model", as indicated in the "Evaluation criteria" in paragraph "Impairment losses on financial assets".
As of December 31, 2020, the effect of expected losses on trade receivables, determined on the basis of the assessment of the creditworthiness of the client, amounted to €131 million (€116 million as of December 31, 2019) on the total loss allowance of €655 million (€724 million as of December 31, 2019). The other changes of €31 million relate to the write-off of a receivable relating to a project that has been completed for a long time.
Below is the credit schedule gross of the creditworthiness assessment.
Trade receivables neither past due nor impaired amount to €1,257 million (€1,670 million as of December 31, 2019), whereas receivables that are past due and are not impaired amount to €537 million (€690 million as of December 31, 2019), €166 million of which are from 1 to 90 days past due (€302 million as of December 31, 2019), €191 million of which are from 3 to 6 months

past due (€101 million as of December 31, 2019), €23 million of which are from 6 to 12 months past due (€113 million as of December 31, 2019) and €157 million of which are past due for more than 12 months (€174 million as of December 31, 2019). These receivables mainly concern counterparties with high creditworthiness.
As of December 31, 2020, Saipem had non-recourse non-notification factoring agreements relating to trade receivables, including performing trade receivables, amounting to €162 million (€18 million as of December 31, 2019). Saipem SpA is responsible for managing the collection of the assigned receivables and for transferring the sums collected to the factors.
Trade receivables included retentions guaranteeing contracts of €192 million (€207 million as of December 31, 2019), of which €88 million were due within twelve months and €104 million due after twelve months.
As of December 31, 2020, there were no trade receivables relating to projects in dispute as of December 31, 2019.
Advances for services not yet rendered amounted to €199 million as of December 31, 2020, relating mainly to advances to suppliers on ongoing operational projects, a decrease of €21 million compared to the previous year.
Other receivables of €129 million were as follows:

| (€ million) | Dec. 31, 2019 | Dec. 31, 2020 |
|---|---|---|
| Receivables from: | | |
| - employees | 36 | 41 |
| - guarantee deposits | 13 | 13 |
| Other | 88 | 75 |
| **Total** | **137** | **129** |

Other assets amounting to €129 million are shown net of the impairment allowance of €30 million, in line with the previous year, and relates mainly to the write-down of a receivable from a subcontractor.
Trade receivables and other assets from related parties are detailed in Note 38 "Related party transactions".
The fair value of trade receivables and other assets did not differ significantly from their carrying amount due to the short period of time elapsed between their date of origination and their due date.
Receivables in currency other than the euro amounted to €1,275 million (€1,919 million as of December 31, 2019) divided, percentage wise, among the following main currencies:
> US Dollar 52% (67% as of December 31, 2019);
> Saudi Arabian Riyal 32% (16% as of December 31, 2019);
> Kuwaiti Dinar 5% (4% as of December 31, 2019);
> other currencies 11% (13% as of December 31, 2019).

## 11 Inventories and contract assets

### Inventories

Inventories amounted to €280 million (€303 million as of December 31, 2019) and were as follows:

| (€ million) | Dec. 31, 2019 | Dec. 31, 2020 |
|---|---|---|
| Raw and auxiliary materials and consumables | 303 | 280 |
| **Total** | **303** | **280** |

The item "Raw and auxiliary materials and consumables" includes spare parts for drilling and construction activities, as well as consumables for internal use and not for sale. The item is stated net of a provision for impairment of €147 million.

| (€ million) | Dec. 31, 2019 | Accruals | Utilisations | Other changes | Dec. 31, 2020 |
|---|---|---|---|---|---|
| Raw and auxiliary materials and consumables allowance | 133 | 40 | (21) | (5) | 147 |
| **Total** | **133** | **40** | **(21)** | **(5)** | **147** |

Due to a change of use of a semi-submersible rig, some drilling rigs and a logistics base, the related inventories were impaired during the year for €22 million.
The other changes are the effect of the usual inventory valuation process aimed at progressively adjusting their financial value according to their ageing (last purchase date).

### Contract assets
Contract assets for €1,295 million (€1,028 million as of December 31, 2019) consisted of the following:

| (€ million) | Dec. 31, 2019 | Dec. 31, 2020 |
|---|---|---|
| Contract assets (from work in progress) | 1,034 | 1,303 |
| Allowance for impairment on contract assets (from work in progress) | (6) | (8) |
| **Total** | **1,028** | **1,295** |

Contract assets (from work in progress), equal to €1,303 million, representing an increase of €269 million due to the recognition of revenue based on the operational progress of the projects to be invoiced during 2021 for €673 million, largely offset by €334 million deriving from the recognition of milestones by clients, plus the effect of write-downs deriving from the continuous legal and commercial monitoring of claim and change order amounts considered in the whole life for the evaluation contracts purposes for €15 million, and other changes for €55 million.
The effects relative to IFRS 9 applied to contract assets amounted to €8 million.

## 12 Tax assets and liabilities

### Current income tax assets and liabilities
Current income tax assets and liabilities consisted of the following:

| | Dec. 31, 2019 | | Dec. 31, 2020 | |
|---|---|---|---|---|
| (€ million) | Assets | Liabilities | Assets | Liabilities |
| Italian tax authorities | 57 | - | 58 | - |
| Foreign tax authorities | 194 | 87 | 185 | 44 |
| **Total current income taxes** | **251** | **87** | **243** | **44** |

The decrease of current income tax assets and liabilities pertained entirely to relations with foreign financial administrations.

### Other current tax assets and liabilities
Other current tax assets and liabilities consisted of the following:

| | Dec. 31, 2019 | | Dec. 31, 2020 | |
|---|---|---|---|---|
| (€ million) | Assets | Liabilities | Assets | Liabilities |
| Italian tax authorities | 6 | 13 | 2 | 26 |
| Foreign tax authorities | 161 | 126 | 187 | 110 |
| **Total other current taxes** | **167** | **139** | **189** | **136** |

Other current tax assets from Italian tax authorities amounting to €2 million (€6 million as of December 31, 2019) relate to VAT assets (€3 million as of December 31, 2019).
Other current tax assets from foreign tax authorities amounting to €187 million (€161 million as of December 31, 2019) relate to VAT assets for €144 million (€122 million as of December 31, 2019) and to indirect tax assets for €43 million (€39 million as of December 31, 2019).
Other current tax liabilities from Italian tax authorities amounting to €26 million (€13 million as of December 31, 2019) relate to VAT liabilities for €14 million and to indirect tax liabilities for €12 million (€13 million as of December 31, 2019).
Other current tax liabilities from foreign tax authorities amounting to €110 million (€126 million as of December 31, 2019) relate to VAT liabilities for €46 million (€63 million as of December 31, 2019) and to indirect tax liabilities for €64 million (€63 million as of December 31, 2019).

### Non-current income tax assets and liabilities
Non-current income tax assets and liabilities consisted of the following:

| | Dec. 31, 2019 | | Dec. 31, 2020 | |
|---|---|---|---|---|
| (€ million) | Assets | Liabilities | Assets | Liabilities |
| Italian tax authorities | - | - | - | - |
| Foreign tax authorities | 24 | 27 | 20 | 24 |
| **Total non-current income taxes** | **24** | **27** | **20** | **24** |

Non-current income tax assets relate to income tax assets expected to be due in more than twelve months. Non-current income tax liabilities relate to situations of fiscal uncertainty. The Saipem Group operates in numerous countries with complex tax laws to which it also adheres thanks to the support of local tax consultants, adopting a conduct which ensures the maximum compliance with the fiscal legislation in force and established practice. It is felt, therefore, that no significant additional liabilities will arise with respect to those already recognised.

# 13 Other assets

## Other current assets

Other current assets amounted to €298 million (€115 million as of December 31, 2019) and were as follows:

| (€ million) | Dec. 31, 2019 | Dec. 31, 2020 |
|---|---|---|
| Fair value of derivative financial instruments | 23 | 156 |
| Other assets | 92 | 142 |
| **Total** | **115** | **298** |

The fair value of derivative financial instruments is commented in Note 25 “Derivative financial instruments”.
Other assets as of December 31, 2020 amounted to €142 million, representing an increase of €50 million compared with December 31, 2019, and consisted mainly of prepayments related mostly to the preparation of vessels to be used on contracts and insurance costs.

## Other non-current assets

Other non-current assets of €35 million (€55 million as of December 31, 2019) were as follows:

| (€ million) | Dec. 31, 2019 | Dec. 31, 2020 |
|---|---|---|
| Fair value of derivative financial instruments | 2 | 2 |
| Other receivables | 9 | 8 |
| Other assets | 44 | 25 |
| **Total** | **55** | **35** |

The fair value of derivative financial instruments is commented in Note 25 “Derivative financial instruments”.
The other receivables amount to €8 million, in line with 2019, relating to security deposits of varios kinds, mainly security deposits paid for property leases and for the investigation of legal proceedings.
Other assets as of December 31, 2020 amounted to €25 million, a decrease of €19 million compared to December 31, 2019, and related mainly to prepayments, for the preparation of vessels to be used on contracts.
Other assets from related parties are shown in Note 38 “Related party transactions”.

# 14 Property, plant and equipment

Property, plant and equipment amounted to €3,284 million (€4,129 million as of December 31, 2019) and consisted of the following:

| (€ million) | Land | Buildings | Plants and machinery | Industrial and commercial equipment | Other assets | Assets under construction and advances | Total |
|---|---|---|---|---|---|---|---|
| **December 31, 2019** | | | | | | | |
| **Opening carrying amount** | **67** | **182** | **3,878** | **75** | **7** | **117** | **4,326** |
| Capital expenditure | - | 6 | 166 | 17 | 6 | 132 | 327 |
| Depreciation | - | (39) | (388) | (24) | (4) | - | (455) |
| Net impairment reversals of impairment losses | - | - | (73) | - | - | - | (73) |
| Disposals | - | - | (7) | - | - | - | (7) |
| Change in the consolidation scope | - | - | - | - | - | - | - |
| Business unit transactions | - | - | - | - | - | - | - |
| Exchange differences | - | 2 | 8 | 1 | - | - | 11 |
| Other changes | - | 11 | 69 | 2 | - | (82) | - |
| **Closing carrying amount** | **67** | **162** | **3,653** | **71** | **9** | **167** | **4,129** |
| Closing gross balance | 67 | 1,104 | 11,750 | 545 | 108 | 187 | 13,761 |
| Depreciation and impairment losses | - | 942 | 8,097 | 474 | 99 | 20 | 9,632 |
| **December 31, 2020** | | | | | | | |
| **Opening carrying amount** | **67** | **162** | **3,653** | **71** | **9** | **167** | **4,129** |
| Capital expenditure | - | 10 | 182 | 21 | 3 | 89 | 305 |
| Depreciation | - | (39) | (364) | (24) | (4) | - | (431) |
| Net impairment reversals of impairment losses | - | (20) | (619) | - | - | (5) | (644) |
| Disposals | - | - | (14) | (1) | - | - | (15) |
| Change in the consolidation scope | - | - | - | - | - | - | - |
| Business unit transactions | - | - | - | - | - | - | - |
| Exchange differences | (16) | (8) | (30) | (4) | - | (2) | (60) |
| Other changes | - | 19 | 81 | 5 | 1 | (106) | - |
| **Closing carrying amount** | **51** | **124** | **2,889** | **68** | **9** | **143** | **3,284** |
| Closing gross balance | 51 | 946 | 11,264 | 532 | 105 | 162 | 13,060 |
| Depreciation and impairment losses | - | 822 | 8,375 | 464 | 96 | 19 | 9,776 |

**Capital expenditure** in 2020 amounted to €305 million (€327 million as of December 31, 2019) and mainly related to:
> €185 million in the Offshore Engineering & Construction sector: purchase of the lay barge vessel Norce Endeavour (now Saipem Endeavour) and maintenance and upgrading of the existing assets;
> €10 million in the Onshore Engineering & Construction sector: purchase and maintenance of equipment;
> €59 million in the Offshore Drilling sector: extraordinary maintenance of the drillship Saipem 10000, in addition to maintenance and upgrading of the existing assets;
> €51 million for Onshore Drilling: upgrading of rigs for operations in Saudi Arabia and South America, as well as the maintenance and upgrading of the existing assets.

No financial expenses were capitalised during the year.
The main amortisation rates were as follows:

| (%) | |
|---|---|
| Buildings | 2.50-15.00 |
| Plant and equipment | 7.00-25.00 |
| Industrial and commercial equipment | 3.33-50.00 |
| Other assets | 12.00-20.00 |

Net exchange losses due to the translation of financial statements prepared in currencies other than euro amounted to €60 million.
As of December 31, 2020, all property, plant and equipment was unencumbered by collateral.
The total commitment on current items of capital expenditure as of December 31, 2020 is indicated in Note 3 "Accounting policies" in the "Outstanding contractual obligations" section.
Due to the changed utilisation outlook on the medium term, a semi-submergible platform, some drilling rigs, assets and a logistics base were entirely written down for an amount of €54 million.
The impairment test carried out on December 31, 2020 has not identified any additional impairment on top of the €590 million that were recorded in 2020.

## Impairment

In monitoring impairment indicators, the Group considers, among other factors, the relationship between its market capitalisation and equity. As of December 31, 2020, the Group's market capitalisation was lower than its net assets at the third forecast by approximately €955 million; this situation indicates a potential impairment of goodwill and/or of other assets.
Therefore the impairment test provided for ascertaining the recoverable amount of all the "CGUs".
The impairment test was carried out on 15 CGUs and they were: one FPSO unit (leased FPSO Cidade de Vitoria), the Offshore Engineering & Construction Division, the Onshore Engineering & Construction Division excluding the leased FPSO Cidade de Vitoria, the XSIGHT Division, the Onshore Drilling Division, and the individual rigs of the Offshore Drilling Division (10 individual offshore rigs, 2 less than December 31, 2019, following the foreseen replacement and scrap of a second rig; a third rig was replaced by a leased rig).
The CGUs were tested for impairment by comparing the carrying amount with the relative recoverable amount which is determined on the basis of the value in use obtained by discounting future cash flows generated by each CGU at the weighted average cost of capital ("WACC") specific to each business segment in which the individual CGU operates. In fact, considering the nature of Saipem's assets, the fair value of the CGUs cannot be determined from information directly observable on the market, and its estimate based on alternative techniques, such as market multiples, would be of limited reliability in general and, in many cases, not readily applicable.
The cash flows employed for purposes of the impairment test were those of the 2021-2024 Strategic Plan, approved by the Board of Directors in February 2021 (hereafter "Strategic Plan"); they are based on the best information available and on the expectations at the time of the estimate. These forecasts take account of the future expectations of the division managements in relation to the respective reference markets and also of the actual results.
These estimates, in accordance with the provisions of IAS 36, do not consider cash inflows or outflows deriving from: (i) a future restructuring still to be approved or to which the Group is not committed yet, or (ii) the improvement or optimisation of business performance on the basis of initiatives still to be undertaken or approved, or for which there is still no commitment towards third parties for the increase of production capacity with respect to current capacity.
For the following years after Plan horizon, the cash flows are calculated on the basis of a terminal value, determined:

- for the Offshore Engineering & Construction, Onshore Engineering & Construction excluding the leased FPSO Cidade de Vitoria, XSIGHT and Onshore Drilling CGUs using the perpetuity model, applying to the terminal free "normalised" cash flow (to take into consideration the dynamics of the business and/or the cyclical nature of the sector) a long term growth rate of 2% (not exceeding nominal growth rates expected in the long term for relevant energy sectors which consider market expectations in terms of real growth and inflation);
- for the leased FPSO Cidade de Vitoria CGU and for the Offshore Drilling rigs, considering beyond the Plan horizon (on the basis of the residual economic and technical life of the individual assets, or, if earlier, the expected expiry date of the last cyclical maintenance):(i) long-term lease rates defined as part of the planning process, by the related division, through an estimate procedure based on managerial assessments on collected information (both internal and external), inflated by 2% over the projection period; in particular the long-term lease rates of the Offshore Drilling CGUs have been defined using the latest available reports processed by external sources, normally used by the division as a reference benchmark; (ii) "normalised" idle days; (iii) operating costs based on figures of the last year of the plan, inflated by 2% (in line with revenue); (iv) investments and related plant down times for cyclical maintenance and replacements estimated by the divisions on the basis of the planned schedule for cyclical and intermediate maintenance.

Value in use as of December 31, 2020 was calculated by discounting post-tax cash flows with a discount rate, specific to each business segment as shown in the table below:

| (%) | WACC Dec. 31, 2019 | WACC Dec. 31, 2020 |
|---|---|---|
| Offshore E&C | 8.2 | 8.0 |
| Onshore E&C | 7.6 | 7.8 |
| XSIGHT | 7.6 | 7.8 |
| Leased FPSO | 5.7 | 6.3 |
| Offshore Drilling | 8.2 | 9.7 |
| Onshore Drilling | 7.9 | 7.8 |

The discount rates used (WACC) reflect market assessments of the time value of money and the systematic risks specific to the activities of the individual CGUs that are not reflected in the estimate of future cash flows and have been estimated for each business segment taking into account: (i) a cost of debt consistent with the average estimated in the four-year period of the Plan adjusted in light of the credit spread, observed on the market, relating to a panel of operators assembled to take into consideration the specific business segment; (ii) median leverage of the same panel of operators (based on the latest data regarding debt and market capitalisation of the last 6 months); (iii) the median beta of the securities of companies belonging to the same panel estimated on a long-term historical horizon. Post-tax cash flows and discount rates were used as they produce outcomes which are equivalent to those resulting from a valuation using pre-tax cash flows and discount rates.
The assumptions made take into account the interest rates over the last six months, the risks of individual assets already included in the cash flow, as well as the long-term growth expectations in the businesses.
The impairment test carried out on December 31, 2020 has not identified any additional impairment on top of the €590 million that were recorded in 2020.

The following table summarises the overall results of the test carried out on the individual CGUs:

| (€ million) | Offshore | Onshore | Offshore Drilling | Onshore Drilling | Leased FPSO | XSIGHT |
|---|---|---|---|---|---|---|
| Headroom (impairment loss) | 1,392 | 4,558 | 19 | 97 | 20 | 32 |

Sensitivity analysis can be found below for the 15 CGUs, with reference to the 10 Offshore Drilling rigs, the leased FPSO Cidade de Vitoria and the Onshore Drilling CGU, while the sensitivity analysis for the Offshore Engineering & Construction, Onshore Engineering & Construction excluding the leased FPSO Cidade de Vitoria and XSIGHT CGUs can be found in Note 15 "Intangible assets".

### Sensitivity analysis of the CGUs referring to 10 Offshore Drilling rigs and the leased FPSO

The key assumptions adopted in assessing the recoverable amounts of the 11 CGUs representing the Group's offshore vessels (10 from Offshore Drilling and one leased FPSO) related mainly to the operating result of the CGUs (based on a combination of various factors, including charter rates and exchange rates) and the discount rate applied to the cash flows. The effects of the sensitivity analysis on the parameters used for the estimate will be analysed below on the recoverable amount of these CGUs:

- an increase in the discount rate of 1% would produce an impairment loss equal to €39 million;
- decreases in long-term day rates of 10% compared with the rates assumed in the plan projections would produce an impairment loss of €174 million;
- decreases in long-term day rates of 20% compared with the rates assumed in the plan projections would produce an impairment loss of €384 million;
- an increase in long-term euro/dollar exchange rate of 0.1 compared to the scenario assumed in plan projections amounting to 1.3 would produce an impairment loss of €113 million.

### Sensitivity analysis on the Onshore Drilling CGU

The excess of the recoverable amount of the Onshore Drilling CGU over the corresponding value of the net capital employed in the cash generating unit is reduced to zero under the following circumstances:

- decrease by 18.9% in the operating result, over the entire plan period and in perpetuity;
- use of a discount rate of 8.9%;
- use of a 0.7% terminal growth rate.

Further, the excess of the recoverable amount over the value of the net capital employed in the CGU would increase in the event that working capital flows have been zeroed.

## 15 Intangible assets

Intangible assets of €701 million (€698 million as of December 31, 2019) consisted of the following:

| (€ million) | Development costs | Industrial patents and intellectual property rights | Concessions, licences and trademarks | Assets under construction and advances | Other intangible assets | Total intangible assets with indefinite useful life | Goodwill | Total intangible assets |
|---|---|---|---|---|---|---|---|---|
| **Dec. 31, 2019** | | | | | | | | |
| **Opening carrying amount** | **-** | **23** | **1** | **9** | **2** | **35** | **667** | **702** |
| Capital expenditure | - | 2 | - | 7 | - | 9 | - | 9 |
| Depreciation | - | (12) | (1) | - | - | (13) | - | (13) |
| Net impairment reversals of impairment losses | - | - | - | - | - | - | - | - |
| Exchange differences and other changes | - | 10 | 1 | (11) | - | - | - | - |
| **Closing carrying amount** | **-** | **23** | **1** | **5** | **2** | **31** | **667** | **698** |
| Closing gross balance | 8 | 213 | 17 | 5 | 11 | 254 | - | - |
| Depreciation and impairment losses | 8 | 190 | 16 | - | 9 | 223 | - | - |
| **Dec. 31, 2020** | | | | | | | | |
| **Opening carrying amount** | **-** | **23** | **1** | **5** | **2** | **31** | **667** | **698** |
| Capital expenditure | - | 7 | - | 10 | - | 17 | - | 17 |
| Depreciation | - | (12) | (1) | - | - | (13) | - | (13) |
| Net impairment reversals of impairment losses | - | - | - | - | - | - | - | - |
| Exchange differences and other changes | - | 7 | - | (7) | - | - | (1) | (1) |
| **Closing carrying amount** | **-** | **25** | **-** | **8** | **2** | **35** | **666** | **701** |
| Closing gross balance | 8 | 226 | 17 | 8 | 11 | 270 | - | - |
| Depreciation and impairment losses | 8 | 201 | 17 | - | 9 | 235 | - | - |

Intellectual property rights of €25 million include mainly the costs incurred for the implementation in the Parent company of various application systems and SAP modules.
The main amortisation rates were as follows:

| (%) | |
|---|---|
| Development costs | 20.00-20.00 |
| Industrial patents and intellectual property rights | 6.66-33.30 |
| Concessions, licences, trademarks and similar rights | 20.00-20.00 |
| Other intangible assets | 20.00-33.00 |

Goodwill of €666 million related mainly to the difference between the purchase price, including transaction costs, and the net assets of Saipem SA (€629 million), Sofresid SA (€21 million) and the Moss Maritime Group (€11 million) on the date that control was acquired.
For impairment purposes, goodwill has been allocated to the following CGUs:

| (€ million) | Dec. 31, 2019 | Dec. 31, 2020 |
|---|---|---|
| Offshore E&C | 403 | 403 |
| Onshore E&C | 231 | 231 |
| XSIGHT | 33 | 32 |
| **Total** | **667** | **666** |

The recoverable amount of the three CGUs was determined based on value in use, calculated by discounting the future cash flows expected to be generated by each CGU.
The basis of the cash flow estimate, the discount rate used and the terminal growth rate for the estimate of the recoverable amount of the CGUs to which goodwill is allocated are described in the "Impairment" section of Note 14 "Property, plant and equipment".
The table below shows, as of December 31, 2020, the amounts by which the recoverable amounts of the Offshore Engineering & Construction, Onshore Engineering & Construction and XSIGHT CGUs exceed their carrying amounts, including allocated goodwill.

| (€ million) | Offshore | Onshore | XSIGHT | Total |
|---|---|---|---|---|
| Goodwill | 403 | 231 | 32 | 666 |
| Amount by which recoverable amount exceeds carrying amount | 1,392 | 4,558 | 32 | 5,982 |

The key assumptions adopted for assessing recoverable amounts were principally the operating results of the CGU (based on a combination of various factors, e.g. sales volumes, service prices, project profit margins, cost structure), the discount rate, the growth rates adopted to determine the terminal value and working capital projections. The effects of changes in these parameters in relation to the amount by which recoverable amount exceeds the carrying amounts (including goodwill) for each of the three CGUs to which goodwill was allocated are described below.

### Sensitivity analysis on the Offshore Engineering & Construction CGU

The excess of the recoverable amount of the Offshore Engineering & Construction CGU over its carrying amount, including the allocated portion of goodwill, is reduced to zero under the following circumstance:
> decrease by 37.8% in the operating result, over the entire plan period and in perpetuity;
> use of a discount rate of 10.9%;
> use of a negative terminal growth rate.

Further, the excess of the recoverable amount over the value of the net capital employed in the Offshore Engineering & Construction CGU would increase in the event that working capital flows were zeroed.

### Sensitivity analysis on the Onshore Engineering & Construction CGU

The excess of the recoverable amount of the Onshore Engineering & Construction CGU over its carrying amount, including the allocated portion of goodwill, is never reduced to zero for any variation of the discount rate and terminal growth rate or for a reduction of the operating profit along the entire period of the plan and in perpetuity.
Further, the excess of the recoverable amount over the value of the net capital employed in the Onshore Engineering & Construction CGU would increase in the event that working capital cash flows have been zeroed.

### Sensitivity analysis on the XSIGHT CGU

The excess of the recoverable amount of the XSIGHT CGU over its carrying amount, including the allocated portion of goodwill, is reduced to zero under the following circumstances:
> decrease by 38.1% in the operating result, over the entire plan period and in perpetuity;
> use of a discount rate of 10.6%;
> use of a negative terminal growth rate.

Further, the excess of the recoverable amount over the value of the net capital employed in XSIGHT CGU would decrease but would still remain positive in the event that working capital flows were zeroed.

## 16 Right-of-Use assets, lease assets and lease liabilities

The movements during the period of the Right-of-Use assets and lease financial assets and liabilities as of December 31, are shown as follows:

| (€ million) | Right-of-Use assets | Lease assets | | Lease liabilities | |
|---|---|---|---|---|---|
| | | Current | Non-current | Current | Non-current |
| **Dec. 31, 2019** | | | | | |
| **Opening balance (effect of adopting IFRS 16 - January 1, 2019)** | **550** | **-** | **1** | **130** | **418** |
| Increases | 219 | - | 19 | - | 238 |
| Decreases and cancellations | (34) | (5) | - | (161) | (31) |
| Depreciation | (147) | - | - | - | - |
| Net impairment reversals of impairment losses | (2) | - | - | - | - |
| Exchange differences | - | - | - | - | 5 |
| Interest | - | 1 | - | 27 | - |
| Other changes | (2) | 12 | (12) | 153 | (153) |
| **Final value** | **584** | **8** | **8** | **149** | **477** |
| **Dec. 31, 2020** | | | | | |
| **Opening balance** | **584** | **8** | **8** | **149** | **477** |
| Increases | 113 | - | 29 | - | 142 |
| Decreases and cancellations | (215) | (14) | - | (162) | (182) |
| Depreciation | (147) | - | - | - | - |
| Net impairment reversals of impairment losses | (38) | - | - | - | - |
| Exchange differences | (5) | (2) | (3) | (6) | (17) |
| Interest | - | 1 | - | 23 | - |
| Other changes | (4) | 23 | 17 | 147 | (150) |
| **Final value** | **288** | **16** | **51** | **151** | **270** |

During the year, a rental contract was terminated prematurely on a vessel, which resulted in the devaluation of part of the right of use relating to the contractual penalty, in addition to the cancellation of the remaining right of use and the related contractual liability for leasing.

As of December 31, 2020, no Right-of-Use asset is a stand-alone CGU. For the purposes of determining the recoverable amount, the Right-of-Use assets have been allocated to the relevant CGUs and tested as described in the paragraph "Impairment" of Note 14 "Property, plant and equipment".

On the basis of business assessments, renewal options mainly relating to land and property totalling €124 million (€315 million as of December 31, 2019) are not considered in the determination of the total lease term and lease liability as of December 31, 2020.

Lease assets refer to subleases of vessels.

The other changes in financial liabilities for leasing refer mainly to the reclassification of financial liabilities from non-current to current.

The detail by type of the "Right-of-Use" assets as of December 31 is highlighted as follows:

| (€ million) | Land | Buildings | Plants and machinery | Industrial and commercial equipment | Other assets | Total |
|---|---|---|---|---|---|---|
| **Dec. 31, 2019** | | | | | | |
| **Opening net balance (effect of adopting IFRS 16 - January 1, 2019)** | **35** | **227** | **273** | **8** | **7** | **550** |
| Increases | 5 | 81 | 110 | 17 | 6 | 219 |
| Decreases and cancellations | (1) | (30) | (2) | (1) | - | (34) |
| Depreciation | (6) | (58) | (70) | (8) | (5) | (147) |
| Net impairment reversals of impairment losses | (2) | - | - | - | - | (2) |
| Exchange differences | - | - | - | | - | - |
| Other changes | - | (2) | - | - | - | (2) |
| **Closing net balance** | **31** | **218** | **311** | **16** | **8** | **584** |
| Closing gross balance | 39 | 274 | 381 | 24 | 14 | 732 |
| Depreciation and impairment losses | 8 | 56 | 70 | 8 | 6 | 148 |
| **Dec. 31, 2020** | | | | | | |
| **Opening net balance** | **31** | **218** | **311** | **16** | **8** | **584** |
| Increases | 2 | 42 | 47 | 18 | 4 | 113 |
| Decreases and cancellations | - | (23) | (191) | (1) | - | (215) |
| Depreciation | (4) | (59) | (60) | (17) | (7) | (147) |
| Net impairment reversals of impairment losses | - | - | (38) | - | - | (38) |
| Exchange differences | (1) | (4) | - | - | - | (5) |
| Other changes | - | (4) | - | - | - | (4) |
| **Closing net balance** | **28** | **170** | **69** | **16** | **5** | **288** |
| Closing gross balance | 36 | 266 | 129 | 32 | 12 | 475 |
| Depreciation and impairment losses | 8 | 96 | 60 | 16 | 7 | 187 |

The analysis by maturity of net lease liabilities as of December 31, 2020 is as follows:

| | Current portion | Non-current portion | | | | | |
|---|---|---|---|---|---|---|---|
| (€ million) | 2021 | 2022 | 2023 | 2024 | 2025 | After | Total |
| Lease liabilities | 151 | 90 | 75 | 40 | 20 | 45 | 421 |
| Lease assets | 16 | 17 | 20 | 13 | 1 | - | 67 |
| **Total** | **135** | **73** | **55** | **27** | **19** | **45** | **354** |

The average marginal loan rate used for discounting the "Right-of-Use" and financial liabilities for leasing, was 4% as of December 31, 2020 (4.7% as of December 31, 2019 and 5.2% for the first adoption).

# 17 Equity investments

## Equity investments accounted for using the equity method

Equity investments accounted for using the equity method of €166 million (€133 million as of December 31, 2019) were as follows:

| (€ million) | Opening carrying amount | Acquisitions and subscriptions | Sales and reimbursements | Share of profit of equity-accounted investees | Share of loss of equity-accounted investees | Deduction for dividends | Change in the consolidation scope | Exchange differences | Movements in reserves | Other changes | Closing carrying amount | Loss allowance |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Dec. 31, 2019** | | | | | | | | | | | | |
| Investments in subsidiaries | - | - | - | - | - | - | - | - | - | - | - | - |
| Investments in joint ventures | 43 | 45 | - | 25 | (5) | (1) | - | 1 | (1) | (40) | 67 | - |
| Investments in associates | 76 | - | - | 4 | (14) | (1) | - | 1 | - | - | 66 | - |
| **Total** | **119** | **45** | **-** | **29** | **(19)** | **(2)** | **-** | **2** | **(1)** | **(40)** | **133** | **-** |
| **Dec. 31, 2020** | | | | | | | | | | | | |
| Investments in subsidiaries | - | - | - | - | - | - | - | - | - | - | - | - |
| Investments in joint ventures | 67 | 4 | - | 42 | (12) | - | - | (9) | 1 | (4) | 89 | - |
| Investments in associates | 66 | - | - | 18 | (3) | - | - | (4) | - | - | 77 | - |
| **Total** | **133** | **4** | **-** | **60** | **(15)** | **-** | **-** | **(13)** | **1** | **(4)** | **166** | **-** |

Equity investments accounted for using the equity method are detailed in Note 6 “Consolidation scope as of December 31, 2020”.
The share of profit of equity-accounted investees of €60 million included profits for the period of €42 million recorded by the joint ventures and €18 million for the period recorded by associates.
The share of loss of equity-accounted investees of €15 million included losses for the period of €12 million recorded by the joint ventures and €3 million for the period recorded by associates.
The other negative changes of €4 million relate to transfers from the provision to cover losses.
The carrying amount of equity investments accounted for using the equity method related to the following companies:

| (€ million) | Group interest (%) | Carrying amount as of Dec. 31, 2019 | Carrying amount as of Dec. 31, 2020 |
|---|---|---|---|
| Petromar Lda | 70.00 | 51 | 37 |
| PSS Netherlands BV | 36.00 | 7 | 23 |
| Rosetti Marino SpA | 20.00 | 31 | 28 |
| Saipem Taqa Al Rushaid Fabricators Co Ltd | 40.00 | 32 | 34 |
| Saren BV | 50.00 | 5 | 26 |
| Other | | 7 | 18 |
| **Total equity investments accounted for using the equity method** | | **133** | **166** |

The total of equity investments accounted for using the equity method does not include the allocation of the provision to cover losses, commented on in Note 23 “Provisions for risks and charges”.

## Other equity investments

The other equity investments are not significant as of December 31, 2020.

## Other information about equity investments

The following table summarises key financial data from the IFRS financial statements of non-consolidated subsidiaries, joint ventures and associates accounted for using the equity method or measured at cost, in proportion to the Group interest held:

| | Dec. 31, 2019 | | | Dec. 31, 2020 | | |
|---|---|---|---|---|---|---|
| (€ million) | Subsidiaries | Joint venture | Associates | Subsidiaries | Joint venture | Associates |
| Total assets | 4 | 594 | 745 | 4 | 625 | 1,110 |
| of which cash and cash equivalents | - | 274 | 172 | - | 274 | 275 |
| Total liabilities | 4 | 551 | 682 | 4 | 552 | 1,043 |
| Net revenue | - | 286 | 274 | - | 473 | 725 |
| Operating profit (loss) | - | 13 | (6) | - | 19 | 17 |
| Profit (loss) for the year | - | (5) | (13) | - | 28 | 9 |

The table below shows the financial and economic data relating to joint ventures (full amounts at 100%).

| (€ million) | Dec. 31, 2019 | Dec. 31, 2020 |
|---|---|---|
| Current assets | 1,205 | 1,305 |
| *- of which cash and cash equivalents* | *628* | *673* |
| *- of which current lease assets* | - | - |
| Non-current assets | 128 | 106 |
| *- of which non-current lease assets* | *42* | *32* |
| **Total assets** | **1,333** | **1,411** |
| Current liabilities | 1,109 | 1,157 |
| *- of which current financial liabilities* | *1* | *2* |
| *- of which current portion of non-current lease liabilities* | *8* | *11* |
| Non-current liabilities | 187 | 127 |
| *- of which non-current financial liabilities* | *136* | *91* |
| *- of which non-current lease liabilities* | *31* | *19* |
| **Total liabilities** | **1,296** | **1,284** |
| **Equity** | **37** | **127** |
| **Carrying amount of equity investment** | **43** | **73** |
| Revenue and other operating income | 655 | 1,163 |
| Operating expenses | (634) | (1,082) |
| Depreciation, amortisation and impairment losses | (17) | (26) |
| **Operating profit (loss)** | **4** | **55** |
| Financial income (expense) | (36) | 38 |
| Gains (losses) on equity investments | - | - |
| **Pre-tax profit (loss)** | **(32)** | **93** |
| Income taxes | (11) | (16) |
| **Profit (loss) for the year** | **(43)** | **77** |
| Other items of comprehensive income | 6 | 2 |
| **Comprehensive income (expense) for the year** | **(37)** | **79** |
| **Profit (loss) attributable to the Group** | **(5)** | **28** |
| **Dividends to the Group approved by joint ventures** | **1** | **-** |

The table below shows the financial and economic data relating to associates (full amounts at 100%).

| (€ million) | Dec. 31, 2019 | Dec. 31, 2020 |
|---|---|---|
| Current assets | 2,906 | 4,404 |
| *- of which cash and cash equivalents* | *945* | *1,490* |
| *- of which current lease assets* | *-* | *-* |
| Non-current assets | 242 | 240 |
| *- of which non-current lease assets* | *14* | *13* |
| **Total assets** | **3,148** | **4,644** |
| Current liabilities | 2,760 | 4,220 |
| *- of which current financial liabilities* | *27* | *49* |
| *- of which current portion of non-current lease liabilities* | *2* | *4* |
| Non-current liabilities | 146 | 150 |
| *- of which non-current financial liabilities* | *38* | *54* |
| *- of which non-current lease liabilities* | *10* | *9* |
| **Total liabilities** | **2,906** | **4,370** |
| **Equity** | **242** | **274** |
| **Carrying amount of equity investment** | **63** | **67** |
| Revenue and other operating income | 1,292 | 3,782 |
| Operating expenses | (1,265) | (3,675) |
| Depreciation, amortisation and impairment losses | (35) | (30) |
| **Operating profit (loss)** | **(8)** | **77** |
| Financial income (expense) | (18) | (22) |
| Gains (losses) on equity investments | 2 | - |
| **Pre-tax profit (loss)** | **(24)** | **55** |
| Income taxes | (7) | (11) |
| **Profit (loss) for the year** | **(31)** | **44** |
| Other items of comprehensive income | 3 | (10) |
| **Comprehensive income (expense) for the year** | **(28)** | **34** |
| **Profit (loss) attributable to the Group** | **(13)** | **9** |
| **Dividends to the Group approved by associates** | **1** | **-** |

## 18 Deferred tax assets and liabilities

Deferred tax assets of €240 million (€297 million as of December 31, 2019) are shown net of offsettable deferred tax liabilities. Deferred tax liabilities of €6 million (€6 million as of December 31, 2019) are shown net of offsettable deferred tax assets of €117 million.
The movements of deferred tax assets and deferred tax liabilities were as follows:

| (€ million) | Dec. 31, 2019 | Accruals | Utilisations | Exchange differences in exchange rates | Other changes | Dec. 31, 2020 |
|---|---|---|---|---|---|---|
| Deferred tax assets | 297 | 90 | (72) | (7) | (68) | 240 |
| Deferred tax liabilities | (6) | (31) | 17 | 3 | 11 | (6) |
| **Total deferred tax assets (liabilities)** | **291** | **59** | **(55)** | **(4)** | **(57)** | **234** |

The item "Other changes" in deferred tax assets, down €68 million, included: (i) offsetting of deferred tax assets against deferred tax liabilities at individual entity level (down €34 million); (ii) the tax effects (down €12 million) of fair value changes of derivatives designated as cash flow hedges reported in equity; (iii) the tax effects (up €1 million) of remeasurements of defined benefit plans for employees reported in equity; (iv) other changes (down €23 million).
The item "Other changes" in deferred tax liabilities, down €11 million, included: (i) offsetting of deferred tax assets against deferred tax liabilities at individual entity level (down €34 million); (ii) the tax effects (up €22 million) of fair value changes of derivatives designated as cash flow hedges reported in equity; (iii) other changes (up €1 million).

Net deferred tax assets consisted of the following:

| (€ million) | Dec. 31, 2019 | Dec. 31, 2020 |
|---|---|---|
| Deferred tax liabilities | (89) | (123) |
| Offsettable deferred tax assets | 83 | 117 |
| **Net deferred tax liabilities** | **(6)** | **(6)** |
| Non-offsettable deferred tax assets | 297 | 240 |
| **Net deferred tax assets (liabilities)** | **291** | **234** |

The most significant temporary differences giving rise to net deferred tax assets (liabilities) are as follows:

| (€ million) | Dec. 31, 2019 | Accruals | Utilisations | Exchange differences | Other changes | Dec. 31, 2020 |
|---|---|---|---|---|---|---|
| Deferred tax liabilities: | | | | | | |
| - accelerated and excess depreciation | (48) | (4) | 13 | 1 | - | (38) |
| - hedging derivatives | (3) | (6) | 1 | - | (22) | (30) |
| - employee benefits | - | (1) | - | - | - | (1) |
| - non distributed reserves held by investees | (22) | (2) | - | - | - | (24) |
| - project progress status | (10) | - | 2 | - | - | (8) |
| - IFRS 16 lease | (2) | (6) | - | 1 | (1) | (8) |
| - other | (4) | (12) | 1 | 1 | - | (14) |
| | **(89)** | **(31)** | **17** | **3** | **(23)** | **(123)** |
| less: | | | | | | |
| Offsettable deferred tax liabilities | 83 | - | - | - | 34 | 117 |
| **Deferred tax liabilities** | **(6)** | **(31)** | **17** | **3** | **11** | **(6)** |
| Deferred tax assets: | | | | | | |
| - accruals to loss allowance and non-deductible risks and charges | 103 | 20 | (23) | (1) | (1) | 98 |
| - non-deductible depreciation | 39 | 6 | (10) | (3) | - | 32 |
| - hedging derivatives | 8 | 11 | (2) | - | (12) | 5 |
| - employee benefits | 40 | 4 | (11) | - | 2 | 35 |
| - tax losses carried forward | 942 | 149 | (60) | (61) | (23) | 947 |
| - project progress status | 28 | 4 | - | (1) | - | 31 |
| - IFRS 16 lease | 2 | 7 | - | (1) | - | 8 |
| - other | 56 | 10 | (11) | (2) | - | 53 |
| | **1,218** | **211** | **(117)** | **(69)** | **(34)** | **1,209** |
| less: | | | | | | |
| - unrecognised prepaid income taxes | (838) | (121) | 45 | 62 | - | (852) |
| | **380** | **90** | **(72)** | **(7)** | **(34)** | **357** |
| less: | | | | | | |
| Offsettable deferred tax assets | (83) | - | - | - | (34) | (117) |
| **Deferred tax assets** | **297** | **90** | **(72)** | **(7)** | **(68)** | **240** |
| **Net deferred tax assets (liabilities)** | **291** | **59** | **(55)** | **(4)** | **(57)** | **234** |

Unrecognised prepaid income taxes of €852 million (€838 million as of December 31, 2019) mainly relate to tax losses that it will probably not be possible to utilise against future taxable amounts in the next four years.

## Tax losses

Tax losses amounted to €4,243 million (€3,640 million as of December 31, 2019), of which €2,715 million can be carried forward without limit. Tax recovery corresponds to a tax rate of 24% for Italian companies and to an average tax rate of 21.4% for foreign companies.

Tax losses related mainly to foreign companies and can be used in the following periods:

| (€ million) | Italy | Outside Italy |
|---|---|---|
| 2021 | - | 41 |
| 2022 | - | 28 |
| 2023 | - | 23 |
| 2024 | - | 95 |
| 2025 | - | 167 |
| Beyond 2025 | - | 1,174 |
| Without limit | 1,161 | 1,554 |
| **Total** | **1,161** | **3,082** |

Tax losses for which deferred tax assets have not been accounted for, in accordance with the provisions of IAS 12, amounted to €3,701 million.
Deferred tax assets recognised in the financial statements as of December 31, 2020 relating to tax losses amounted to €125 million and are considered recoverable in the next 4 years.
Taxes are shown in Note 34 "Income taxes".

# 19 Trade payables, other liabilities and contract liabilities

## Trade payables and other liabilities

Trade payables and other liabilities of €2,463 million (€2,528 million as of December 31, 2019) consisted of the following:

| (€ million) | Dec. 31, 2019 | Dec. 31, 2020 |
|---|---|---|
| Trade payables | 2,262 | 2,193 |
| Other liabilities | 266 | 270 |
| **Total** | **2,528** | **2,463** |

Trade payables amounted to € 2,193 million, representing a decrease of €69 million compared to December 31, 2019.
Trade payables and other liabilities to related parties are shown in Note 38 "Related party transactions".
Other liabilities of €270 million were as follows:

| (€ million) | Dec. 31, 2019 | Dec. 31, 2020 |
|---|---|---|
| Liabilities to: | | |
| - employees | 143 | 133 |
| - national insurance/social security contributions | 61 | 58 |
| - insurance companies | 3 | 2 |
| - consultants and professionals | 8 | 5 |
| - Directors and Statutory Auditors | 1 | 1 |
| - shareholders | - | 25 |
| Other | 50 | 46 |
| **Total** | **266** | **270** |

The fair value of trade payables and other liabilities did not differ significantly from their carrying amount due to the short period of time elapsed between their date of origination and their due date.

## Contract liabilities

Contract liabilities of €1,616 million (€1,848 million as of December 31, 2019) consisted of the following:

| (€ million) | Dec. 31, 2019 | Dec. 31, 2020 |
|---|---|---|
| Contract liabilities (from work in progress) | 1,139 | 924 |
| Advances from clients | 709 | 692 |
| **Total** | **1,848** | **1,616** |

Contract liabilities (from work in progress) of €924 million (€1,139 million as of December 31, 2019) relate to adjustments in revenue invoiced on long-term contracts, in order to comply with the principle of accruals, in application of the accounting policies based on the contractual amounts accrued.
In particular, contract liabilities (from work in progress) decreased by €215 million due to the recognition of revenue for the current year of €652 million adjusted at the end of the previous year, to which is added the impact of the exchange rate effect of €11

million, partially offset by the adjustments in revenue invoiced during the year following the evaluation on the basis of the operational progress of the projects for €448 million.
Advances from clients of €692 million (€709 million as of December 31, 2019) refer to amounts received, in the previous years and during the period, on contracts in execution eroded on the basis of contractual milestones.
Contract liabilities to related parties are shown in Note 38 “Related party transactions”.

# 20 Other liabilities

## Other current liabilities

Other current liabilities amounted to €35 million (€45 million as of December 31, 2019) and were as follows:

| (€ million) | Dec. 31, 2019 | Dec. 31, 2020 |
|---|---|---|
| Fair value of derivative financial instruments | 38 | 32 |
| Other liabilities | 7 | 3 |
| **Total** | **45** | **35** |

The fair value of derivative financial instruments is commented in Note 25 “Derivative financial instruments”.

## Other non-current liabilities

Other non-current liabilities of €2 million (€1 million as of December 31, 2019) were as follows:

| (€ million) | Dec. 31, 2019 | Dec. 31, 2020 |
|---|---|---|
| Fair value of derivative financial instruments | - | 1 |
| Other payables | - | 1 |
| Other liabilities | 1 | - |
| **Total** | **1** | **2** |

# 21 Financial liabilities

Financial liabilities were as follows:

| | Dec. 31, 2019 | | | | Dec. 31, 2020 | | | |
|---|---|---|---|---|---|---|---|---|
| (€ million) | Financial liabilities short term | Current portion of financial liabilities long-term | Financial liabilities long-term | Total | Financial liabilities short term | Current portion of liabilities financial long-term | Financial liabilities long-term | Total |
| Banks | 153 | 206 | 676 | 1,035 | 220 | 167 | 584 | 971 |
| Ordinary bonds | - | 38 | 1,994 | 2,032 | - | 34 | 1,993 | 2,027 |
| Other financial institutions | 11 | - | - | 11 | 37 | - | - | 37 |
| **Total** | **164** | **244** | **2,670** | **3,078** | **257** | **201** | **2,577** | **3,035** |

Some loans are subject to compliance with financial covenants which as of December 31, 2020 have been complied with. As of today, there are no elements to believe that such covenants will not be complied with on the next measurement date.
It should be noted that there are “change of control” clauses for which reference is made to the “Corporate Governance and Shareholding Structure Report 2020”.
The analysis by maturity of non-current debt as of December 31, 2020 is as follows:

(€ million)

| Type | Maturity range | 2022 | 2023 | 2024 | 2025 | After | Total non-current financial liabilities |
|---|---|---|---|---|---|---|---|
| Banks | 2022-2027 | 151 | 213 | 86 | 63 | 71 | 584 |
| Ordinary bonds | 2022-2026 | 498 | 498 | - | 498 | 499 | 1,993 |
| **Total** | | **649** | **711** | **86** | **561** | **570** | **2,577** |

With reference to future contractual payments due, the maturities of non-current financial liabilities were analysed as follows:

| (€ million) | Carrying amount value as of Dec. 31, 2020 | Short-term maturity Dec. 31, 2021 | Long-term maturity 2022 | 2023 | 2024 | 2025 | After | Total future payments as of Dec. 31, 2020 |
|---|---|---|---|---|---|---|---|---|
| Banks | 751 | 170 | 154 | 215 | 89 | 62 | 72 | 762 |
| Ordinary bonds | 2,027 | 37 | 500 | 500 | - | 500 | 500 | 2,037 |
| Other financial institutions | - | - | - | - | - | - | - | - |
| **Total** | **2,778** | **207** | **654** | **715** | **89** | **562** | **572** | **2,799** |

The difference of €21 million between the carrying amount of the non-current financial liabilities recognised in the financial statements as of December 31, 2020 and the total of future payments is due to the measurement using the amortised cost method.
The analysis of financial liabilities by currency with an indication of the interest rate is as follows:

(€ million)

| | Dec. 31, 2019 | | | | | | Dec. 31, 2020 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Interest rate % | | | Interest rate % | | | Interest rate % | | | Interest rate % | |
| Currency | Liabilities financial short term | from | to | Liabilities financial long term and short term liabilities financial long term | from | to | Liabilities financial short term | from | to | Liabilities financial long term and short term liabilities financial long term | from | to |
| Euro | 4 | 0.00 | 0.00 | 2,914 | 0.90 | 3.75 | 136 | 0.00 | 0.50 | 2.778 | 0.84 | 3.75 |
| US Dollar | 7 | 0.00 | 0.00 | - | | | - | - | - | - | | |
| Other | 153 | variable | | - | | | 121 | variable | | - | | |
| **Total** | **164** | | | **2,914** | | | **257** | | | **2,778** | | |

Non-current financial liabilities, including the current portion, mature between 2021 and 2027.
As of December 31, 2020, Saipem had unused uncommitted short-term credit lines amounting to €194 million (€235 million as of December 31, 2019) and unused committed long-term credit lines amounting to €1,000 million (€1,000 million as of December 31, 2019).
Commission fees on unused lines of credit were not significant.
There were no financial liabilities secured by mortgages or liens on real estate of consolidated companies and by pledges on securities.
The fair value of non-current financial liabilities, including the current portion, amounted to €2,884 million (€3,085 million as of December 31, 2019) and was calculated by discounting the actual future cash flows in the main currencies of the loan at the following, approximate rates:

| (%) | **2019** | **2020** |
|---|---|---|
| Euro | 0.00-1.52 | 0.16-2.31 |

The market value of listed financial instruments was calculated using the closing stock price at the last available date of the year.
The difference between the market value of non-current financial liabilities and their nominal amount is mainly related to bond issues outstanding at the reporting date.
Based on the provisions of the "Disclosure Initiative" (amendments to IAS 7) the following is a reconciliation between the initial and final values of finance debt and the net financial position:

| | | | Non-cash changes | | | | |
|---|---|---|---|---|---|---|---|
| (€ million) | Dec. 31, 2019 | Variation in cash flows | Acquisitions | Exchange differences in exchange rates | Variation in fair value | Other changes non monetary | Dec. 31, 2020 |
| Current financial liabilities | 164 | 108 | - | (15) | - | - | 257 |
| Non-current financial liabilities and current portion thereof | 2,914 | (135) | - | - | - | (1) | 2,778 |
| Net lease liabilities (assets) | 610 | (126) | - | (18) | - | (112) | 354 |
| **Total net liabilities deriving from financing activities** | **3,688** | **(153)** | **-** | **(33)** | **-** | **(113)** | **3,389** |

Financial liabilities to related parties are shown in Note 38 "Related party transactions".

## 22 Analyses of net financial debt

Net financial debt indicated in "Financial and economic results" of the "Directors' Report" is shown below:

| (€ million) | Dec. 31, 2019 Current | Dec. 31, 2019 Non current | Dec. 31, 2019 Total | Dec. 31, 2020 Current | Dec. 31, 2020 Non current | Dec. 31, 2020 Total |
|---|---|---|---|---|---|---|
| A. Cash and cash equivalents | 2,272 | - | 2,272 | 1,687 | - | 1,687 |
| B. Measured financial assets at fair value through OCI | 87 | - | 87 | 68 | - | 68 |
| **C. Liquidity (A+B)** | **2,359** | **-** | **2,359** | **1,755** | **-** | **1,755** |
| **D. Lease assets** | **8** | **-** | **8** | **16** | **-** | **16** |
| **E. Loan assets** (*) | **178** | **-** | **178** | **342** | **-** | **342** |
| F. Non-current financial liabilities with banks | 153 | - | 153 | 220 | - | 220 |
| G. Current financial liabilities with banks | 206 | 676 | 882 | 167 | 584 | 751 |
| H. Current financial liabilities with related parties | - | - | - | 1 | - | 1 |
| I. Ordinary bonds | 38 | 1,994 | 2,032 | 34 | 1,993 | 2,027 |
| L. Non-current financial liabilities with related parties | - | - | - | - | - | - |
| M. Other current financial liabilities | 11 | - | 11 | 36 | - | 36 |
| N. Other non-current financial liabilities | - | - | - | - | - | - |
| O. Lease liabilities | 149 | 477 | 626 | 151 | 270 | 421 |
| **P. Gross financial debt (F+G+H+I+L+M+N+O)** | **557** | **3,147** | **3,704** | **609** | **2,847** | **3,456** |
| **Q. Net financial position as set out in Consob communication No. DEM/6064293/2006 (P-C-D-E)** | **(1,988)** | **3,147** | **1,159** | **(1,504)** | **2,847** | **1,343** |
| **R. Non-current loan assets** | **-** | **69** | **69** | **-** | **66** | **66** |
| **S. Lease assets** | **-** | **8** | **8** | **-** | **51** | **51** |
| **T. Net financial debt (Q-R-S)** | **(1,988)** | **3,070** | **1,082** | **(1,504)** | **2,730** | **1,226** |

(*) This item includes the liquidity which had been allocated to a subsidiary deriving from two limited liability consortium companies reversed through the charge back of costs.

Net financial debt includes a financial liability relating to the interest rate swap, equal to €1 million, but does not include the fair value of derivatives indicated in Note 13 "Other assets" and Note 20 "Other liabilities".
The change in net financial debt pre-net lease liabilities of €354 million (€610 million as of December 31, 2019), positive for €400 million is mainly due to a number of projects acquired in 2019 that have now achieved fully operational status. The increase also reflects the slowdown of projects due to the effects of the pandemic and the postponement of some activities agreed with clients.
Loan assets are explained in Note 9 "Other financial assets".

## 23 Provisions for risks and charges

Provisions for risk and charges of €295 million (€253 million as of December 31, 2019) consisted of the following:

| (€ million) | Opening balance | First application of IFRIC 23 | Accruals | Utilisations | Other changes | Closing balance |
|---|---|---|---|---|---|---|
| **Dec. 31, 2019** | | | | | | |
| Provisions for taxes | 65 | (26) | 6 | (31) | 1 | 15 |
| Provisions for disputes | 126 | - | 72 | (79) | 1 | 120 |
| Provisions for losses on investments | 41 | - | 28 | - | (42) | 27 |
| Provision for contractual expenses and losses on long-term contracts | 57 | - | 17 | (23) | (2) | 49 |
| Provisions for redundancy incentives | 7 | - | 3 | (6) | (3) | 1 |
| Other provisions | 34 | - | 15 | (8) | - | 41 |
| **Total** | **330** | **(26)** | **141** | **(147)** | **(45)** | **253** |
| **Dec. 31, 2020** | | | | | | |
| Provisions for taxes | 15 | - | - | (1) | (1) | 13 |
| Provisions for disputes | 120 | - | 24 | (60) | (10) | 74 |
| Provisions for losses on investments | 27 | - | 8 | - | (9) | 26 |
| Provision for contractual expenses and losses on long-term contracts | 49 | | 113 | (19) | 1 | 144 |
| Provisions for redundancy incentives | 1 | - | 2 | (5) | 2 | - |
| Other provisions | 41 | - | 11 | (11) | (3) | 38 |
| **Total** | **253** | **-** | **158** | **(96)** | **(20)** | **295** |

The **provisions for taxes** amounted to €13 million and related principally to disputes concerning indirect taxes with foreign tax authorities that are ongoing and take into account the results of recent assessments.
The Group operates in numerous countries with complex tax laws to which it adheres thanks also to the support of local tax consultants. In some of these jurisdictions, the Group is handling, through appeals, some requests made by the tax authorities, from which the Directors believe that no further significant charges will arise with respect to what has already been set aside.
The **provisions for disputes** amounted to €74 million and consisted of provisions set aside by Saipem SpA and a number of foreign subsidiaries in relation to ongoing disputes, of which €15 million relating to disputes with the staff. The main amounts are related to the dispute with Husky - Sunrise Energy Project in Canada.
The **provisions for losses on investments** amounted to €26 million and related to provisions for losses of investees that exceed the carrying amount of the Group's investment.
The **provision for contractual expenses and losses on long-term contracts** amounted to €144 million and included the estimate of losses for €119 million and the provision for final project costs for the amount of €25 million, relating to the Offshore and Onshore E&C divisions.
**Other provisions** amounted to €38 million and are for other contingencies.

## 24 Employee benefits

Employee benefits amounted to €237 million (€246 million as of December 31, 2019) and consisted of the following:

| (€ million) | Dec. 31, 2019 | Dec. 31, 2020 |
|---|---|---|
| Post-employment benefits (TFR) | 36 | 35 |
| Foreign defined benefit plans | 95 | 90 |
| FISDE and other health plans | 26 | 29 |
| Other long-term employee benefits | 89 | 83 |
| **Total** | **246** | **237** |

Post-employment benefits ("TFR"), regulated by Article 2120 of the Italian Civil Code, relate to the statutory benefits, estimated using actuarial techniques, to be paid to employees by Italian companies upon termination of the employment relationship. The benefits are paid upon termination of the employment relationship as a lump sum payment and are determined by the total of the accruals during the employees' service period based on payroll costs as revalued until termination of the ralationship.

As a result of legislative changes starting from January 1, 2007, post-employment benefits under the Italian TFR regime are paid into pension funds or the treasury fund held by the Italian National Social Welfare Institute (Inps). For companies with less than 50 employees, the benefits can be held by the company, as in the previous years.

The allocation of TFR provisions to private pension funds or to the INPS fund means that a significant part of these amounts would be classified as costs to provide benefits under a defined contribution plan because company obligations are exclusively represented by contributions to pension funds or the Inps. Past provisions accrued for post-retirement indemnities under the Italian TFR regime continue to represent costs to provide benefits under a defined benefit plan and must be assessed based on actuarial assumptions.

Foreign defined benefit plans related to:

- defined pension benefit plans of foreign companies located, primarily, in France, Switzerland, the United Kingdom and Norway;
- pension provisions and similar obligations for personnel employed abroad, to whom local legislation applies.

Benefits consist of a return on capital determined on the basis of the length of service and the salary paid in the last year of service, or the average annual salary paid in a determined period preceding termination.

Liabilities and costs related to supplementary medical reserve for Eni managers (FISDE) are calculated on the basis of the contributions paid by the company for retired managers.

Other provisions for long-term employee benefits related mainly to long-term incentive plans, jubilee awards, the voluntary redundancy incentive plan (Article 4, Italian Law No. 92/2012) and other long-term plans.

The long-term incentive plans, as well as the jubilee awards represent long-term benefit plans. The long-term incentive plans (LTI) include the estimate, which was determined based on actuarial assumptions, of the amount to be paid to the beneficiaries under the condition that they remain employed for the three-year period following the allocation of the incentive; the determined cost is allocated on a "pro-rata temporis" basis during the vesting period. The Company has provided long-term incentives for middle-management employees. Jubilee awards are benefits due following the attainment of a minimum period of service and, with regard to Italian companies, they consist of remuneration in kind.

The voluntary redundancy incentive plan, allocated following agreements which implemented the provisions of Article 4 of Italian Law No. 92/2012, and which was dated May 23, 2016 between Saipem SpA and the representatives of the main Trade Union Organisations in order to implement, in the least traumatic way possible, a correct restructuring of personnel, includes the estimate of charges, determined on an actuarial basis, connected to offers for early, consensual termination of the employment relationship.

Employee benefits calculated using actuarial techniques are analysed as follows:

| (€ million) | Dec. 31, 2019 Post-employment benefits (TFR) | Foreign defined benefit plans | FISDE and other foreign health plans | Other long-term employee benefits | Total | Dec. 31, 2020 Post-employment benefits (TFR) | Foreign defined benefit plans | FISDE and other foreign health plans | Other long-term employee benefits | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| **Present value of benefit obligation at the beginning of the year** | **39** | **153** | **22** | **67** | **281** | **36** | **176** | **26** | **89** | **327** |
| Current cost | - | 14 | - | 41 | 55 | - | 15 | 1 | 12 | 28 |
| Interest expense | 1 | 4 | - | - | 5 | 1 | 2 | - | - | 3 |
| Remeasurements: | - | 17 | 3 | 5 | 25 | - | 4 | 3 | 6 | 13 |
| *- actuarial gains and losses arising from changes in demographic assumptions* | - | *1* | - | - | *1* | - | *(8)* | - | *(1)* | *(9)* |
| *- actuarial gains and losses arising from changes in financial assumptions* | *1* | *12* | *(1)* | *2* | *14* | *1* | *8* | *3* | *2* | *14* |
| *- experience adjustments* | *(1)* | *4* | *4* | *3* | *10* | *(1)* | *4* | - | *5* | *8* |
| Past service cost and gains/losses from termination | - | (1) | 2 | (1) | - | - | - | - | - | - |
| Contributions to plan: | - | - | - | - | - | - | - | - | - | - |
| *- contributions to plan by employees* | - | - | - | - | - | - | - | - | - | - |
| *- contributions to plan by employer* | - | - | - | - | - | - | - | - | - | - |
| Benefits paid | (4) | (14) | (1) | (23) | (42) | (2) | (16) | (1) | (24) | (43) |
| Business unit transactions | - | (1) | - | - | (1) | - | - | - | - | - |
| Exchange differences and other changes | - | 4 | - | - | 4 | - | (8) | - | - | (8) |
| **Present value of benefit obligation at end of the year** | **36** | **176** | **26** | **89** | **327** | **35** | **173** | **29** | **83** | **320** |
| **Plan assets at the beginning of the year** | **-** | **73** | **-** | **-** | **73** | **-** | **81** | **-** | **-** | **81** |
| Interest income | - | 2 | - | - | 2 | - | 1 | - | - | 1 |
| Return on plan assets | - | 3 | - | - | 3 | - | 5 | - | - | 5 |
| Past service cost and gains/losses arising from termination | - | - | - | - | - | - | - | - | - | - |
| Contributions to plan: | - | 4 | - | - | 4 | - | 4 | - | - | 4 |
| *- contributions to plan by employees* | - | - | - | - | - | - | - | - | - | - |
| *- contributions to plan by employer* | - | *4* | - | - | *4* | - | *4* | - | - | *4* |
| Benefits paid | - | (4) | - | - | (4) | - | (4) | - | - | (4) |
| Exchange differences and other changes | - | 3 | - | - | 3 | - | (4) | - | - | (4) |
| **Plan assets at the end of the year** | **-** | **81** | **-** | **-** | **81** | **-** | **83** | **-** | **-** | **83** |
| **Net liability** | **36** | **95** | **26** | **89** | **246** | **35** | **90** | **29** | **83** | **237** |

Other provisions for long-term employee benefits of €83 million (€89 million as of December 31, 2019) related to the voluntary redundancy incentive plan for €45 million (€56 million as of December 31, 2019), other foreign long-term plans for €30 million (€27 million as of December 31, 2019), jubilee awards for €7 million (€6 million as of December 31, 2019) and the long-term incentive plan for €1 million (insignificant as of December 31, 2019).

Costs for employee benefits determined using actuarial assumptions charged to the income statement are detailed below:

| (€ million) | Dec. 31, 2019 Post-employment benefits (TFR) | Foreign defined benefit plans | FISDE and other foreign health plans | Other long-term employee benefits | Total | Dec. 31, 2020 Post-employment benefits (TFR) | Foreign defined benefit plans | FISDE and other foreign health plans | Other long-term employee benefits | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| Current cost | - | 14 | - | 41 | 55 | - | 15 | 1 | 12 | 28 |
| Past service cost and gains/losses arising from termination | - | (1) | 2 | (1) | - | - | - | - | - | - |
| Net interest expense (income): | | | | | | | | | | |
| - interest expense on obligation | 1 | 4 | - | - | 5 | 1 | 2 | - | - | 3 |
| - interest income on plan assets | - | (2) | - | - | (2) | - | (1) | - | - | (1) |
| Total net interest expense (income) | 1 | 2 | - | - | 3 | 1 | 1 | - | - | 2 |
| *of which recognised in personnel expenses* | - | - | - | - | - | - | - | - | - | - |
| *of which recognised in finance income (expense)* | *1* | *2* | - | - | *3* | *1* | *1* | - | - | *2* |
| Remeasurements of long-term plans | - | - | - | 5 | 5 | - | - | - | 6 | 6 |
| **Total** | **1** | **15** | **2** | **45** | **63** | **1** | **16** | **1** | **18** | **36** |
| *of which recognised in personnel expenses* | - | *13* | *2* | *45* | *60* | - | *15* | *1* | *18* | *34* |
| *of which recognised in finance income (expense)* | *1* | *2* | - | - | *3* | *1* | *1* | - | - | *2* |

Costs for defined benefit plans recognised in items of other comprehensive income were as follows:

| (€ million) | 2019 Post-employment benefits (TFR) | Foreign defined benefit plans | FISDE and other foreign health plans | Total | 2020 Post-employment benefits (TFR) | Foreign defined benefit plans | FISDE and other foreign health plans | Total |
|---|---|---|---|---|---|---|---|---|
| Remeasurements: | | | | | | | | |
| - actuarial gains and losses arising from changes in demographic assumptions | - | 1 | - | 1 | - | (8) | - | (8) |
| - actuarial gains and losses arising from changes in financial assumptions | 1 | 12 | (1) | 12 | 1 | 8 | 3 | 12 |
| - experience adjustments | (1) | 4 | 4 | 7 | (1) | 4 | - | 3 |
| - return on plan assets | - | (3) | - | (3) | - | (5) | - | (5) |
| **Total** | **-** | **14** | **3** | **17** | **-** | **(1)** | **3** | **2** |

Plan assets consisted of the following:

| (€ million) | Cash and cash equivalents | Equity instruments | Debt instruments | Property | Derivative financial instruments | Mutual funds | Assets held by insurance companies | Structured debt securities | Other assets | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| Plan assets: | | | | | | | | | | |
| - prices quoted in active markets | 4 | 11 | 20 | 2 | 9 | 9 | 13 | 12 | - | 80 |
| - prices not quoted in active markets | - | - | 3 | - | - | - | - | - | | 3 |
| **Total** | **4** | **11** | **23** | **2** | **9** | **9** | **13** | **12** | **-** | **83** |

The main actuarial assumptions used in the measurement of benefit obligations at year end and the estimate of costs expected for the following year were as follows:

| | | Post-employment benefits (TFR) | Foreign defined benefit plans | FISDE and other foreign health plans | Other long-term employee benefits |
|---|---|---|---|---|---|
| **2019** | | | | | |
| Main actuarial assumptions: | | | | | |
| - discount rates | (%) | 0.85 | 0.15-11.60 | 1.20-6.70 | 0.00-6.70 |
| - growth rate of salary increase | (%) | 1.35 | 1.00-6.00 | - | 1.50-5.00 |
| - expected rate of return on plan assets | (%) | - | 0.15-6.70 | - | - |
| - inflation rate | (%) | 0.85 | 1.00-11.30 | 1.00-5.00 | 0.00-5.00 |
| - life expectancy at 65 years | (years) | - | 15-25 | 20-25 | - |
| **2020** | | | | | |
| Main actuarial assumptions: | | | | | |
| - discount rates | (%) | 0.40 | 0.00-7.30 | 0.70-6.11 | 0.00-6.11 |
| - growth rate of salary increase | (%) | 1.35 | 1.00-6.00 | - | 1.35-6.00 |
| - expected rate of return on plan assets | (%) | - | 0.00-6.11 | - | - |
| - inflation rate | (%) | 0.85 | 0.70-11.00 | 1.10-5.00 | 0.85-5.00 |
| - life expectancy at 65 years | (years) | - | 15-25 | 20-25 | - |

The main actuarial assumptions used by geographical area were as follows:

| | | Eurozone | Rest of Europe | Africa | Other |
|---|---|---|---|---|---|
| **2019** | | | | | |
| Discount rates | (%) | 0.00-1.20 | 0.15-2.30 | 2.60-11.60 | 1.90-7.25 |
| Growth rate of salary increase | (%) | 2.00 | 1.00-2.25 | 3.00-4.10 | 2.00-8.00 |
| Inflation rate | (%) | 0.00-1.50 | 1.00-3.10 | 2.60-11.30 | 2.60-5.00 |
| Life expectancy at 65 years | (years) | 22-25 | 15-25 | 15 | 17 |
| **2020** | | | | | |
| Discount rates | (%) | 0.00-0.70 | 0.00-2.30 | 2.60-7.30 | 0.70-6.11 |
| Growth rate of salary increase | (%) | 0.00-2.00 | 1.00-2.25 | 3.00-4.10 | 1.50-6.00 |
| Inflation rate | (%) | 0.00-1.50 | 1.00-3.20 | 2.60-11.00 | 2.00-5.00 |
| Life expectancy at 65 years | (years) | 22-25 | 15-25 | 15 | 17 |

The discount rate used was determined based on market yields on primary corporate bonds (AA rating) in countries with a sufficiently deep market, or based on government bond yields if this is not the case.
The inflation rates used were based on long-term forecasts prepared by domestic and international banking institutions.
The demographic tables employed are those used by local actuaries to perform IAS 19 measurements, taking into account any updates.
The effects of reasonably possible changes in the main actuarial assumptions at year end were as follows:

| (€ million) | Discount rate | | Inflation rate | Growth rate of salary increase | Rate of pension increase | Growth rate of health cost increase |
|---|---|---|---|---|---|---|
| | Increase of 0.5% | Reduction of 0.5% | Increase of 0.5% | Increase of 0.5% | Increase of 0.5% | Increase of 1% |
| **Impact on defined benefit obligation (DBO)** | **(16)** | **16** | **5** | **7** | **1** | **2** |
| Post-employment benefits (TFR) | (1) | 1 | 1 | - | - | - |
| Foreign defined benefit plans | (11) | 11 | 2 | 5 | 1 | - |
| FISDE and other foreign health plans | (2) | 2 | 2 | - | - | 2 |
| Other long-term employee benefits | (2) | 2 | - | 2 | - | - |

The sensitivity analysis was performed by applying the modified parameters to the results of the analyses conducted for each plan.
The expected amount of contributions to be paid to foreign defined benefit plans in the subsequent year is €3 million.

The maturity profile of employee benefit plan obligations is as follows:

| | Post-employment benefits (TFR) | Foreign defined benefit plans | FISDE and other foreign health plans | Other long-term employee benefits |
|---|---|---|---|---|
| 2021 | 1 | 16 | 1 | 25 |
| 2022 | 1 | 12 | 1 | 19 |
| 2023 | 2 | 11 | 1 | 10 |
| 2024 | 2 | 10 | 1 | 6 |
| 2025 | 2 | 11 | 1 | 3 |
| After | 11 | 48 | 6 | 9 |

The weighted average duration of obligations is as follows:

| | Post-employment benefits (TFR) | Foreign defined benefit plans | FISDE and other foreign health plans | Other long-term employee benefits |
|---|---|---|---|---|
| **2019** | 10 | 13 | 13 | 5 |
| **2020** | 9 | 12 | 12 | 5 |

## 25 Derivative financial instruments

| | Dec. 31, 2019 | | Dec. 31, 2020 | |
|---|---|---|---|---|
| (€ million) | Fair value assets | Fair value liabilities | Fair value assets | Fair value liabilities |
| **Derivatives qualified for hedge accounting** | | | | |
| *Interest rate contracts (Spot component)* | | | | |
| - purchases | - | 2 | - | 1 |
| - sales | - | - | - | - |
| *Currency forwards (Spot component)* | | | | |
| - purchases | 8 | (2) | 29 | 18 |
| - sales | 12 | 3 | 58 | 1 |
| *Currency forwards (Forward component)* | | | | |
| - purchases | (1) | 6 | (4) | - |
| - sales | (4) | 12 | (5) | - |
| *Commodity forwards (Forward component)* | | | | |
| - purchases | 2 | - | 4 | - |
| - sales | - | - | - | - |
| **Total derivatives qualified for hedge accounting** | **17** | **21** | **82** | **20** |
| **Derivatives not qualified for hedge accounting** | | | | |
| *Currency forwards (Spot component)* | | | | |
| - purchases | 3 | 3 | 15 | 12 |
| - sales | 6 | 8 | 68 | 1 |
| *Currency forwards (Forward component)* | | | | |
| - purchases | - | 2 | - | - |
| - sales | (1) | 6 | (7) | 1 |
| *Commodity forwards (Forward component)* | | | | |
| - purchases | - | - | - | - |
| - sales | - | - | - | - |
| **Total derivatives not qualified for hedge accounting** | **8** | **19** | **76** | **14** |
| **Total derivatives** | **25** | **40** | **158** | **34** |
| Of which: | | | | |
| - current | 23 | 38 | 156 | 32 |
| - non-current (including IRS, Note 22 "Analyses of net financial debt") | 2 | 2 | 2 | 2 |

The derivative contracts' fair value hierarchy is level 2.

Purchase and sale commitments on derivatives are detailed as follows:

| | Dec. 31, 2019 | | Dec. 31, 2020 | |
|---|---|---|---|---|
| (€ million) | Assets | Liabilities | Assets | Liabilities |
| **Purchase commitments** | | | | |
| Derivatives qualified for hedge accounting: | | | | |
| - interest rate contracts | - | 150 | - | 112 |
| - currency contracts | 452 | 1,391 | 617 | 1,145 |
| - commodity contracts | - | 23 | - | 32 |
| Derivatives not qualified for hedge accounting: | | | | |
| - currency contracts | 354 | 388 | 530 | 736 |
| | **806** | **1,952** | **1,147** | **2,025** |
| **Sale commitments** | | | | |
| Derivatives qualified for hedge accounting: | | | | |
| - currency contracts | 707 | 596 | 1,377 | 36 |
| Derivatives not qualified for hedge accounting: | | | | |
| - currency contracts | 524 | 875 | 1,847 | 659 |
| | **1,231** | **1,471** | **3,224** | **695** |

The fair value of derivative instruments was determined using valuation models commonly used in the financial sector and based on year-end market data (exchange and interest rates).
The fair value of forward contracts (forward outrights and currency swaps) was determined by comparing the net present value at contractual conditions of forward contracts outstanding as of December 31, 2020, with their present value recalculated at year-end market conditions. The model used is the Net Present Value model, which is based on the forward contract exchange rate, the year-end exchange rate and the respective forward interest rate curves.
A liability of €1 million (€2 million as of December 31, 2019) relating to the fair value of an interest rate swap has been recorded under Note 22 “Analyses of net financial debt”. The fair value of interest rate swaps was determined by comparing the net present value at contractual conditions of swaps outstanding as of December 31, 2020 with their present value recalculated at year-end market conditions. The model used is the Net Present Value model, which is based on EUR forward interest rates.
Cash flow hedging transactions related to forward purchase and sale transactions (forwards, outrights and currency swaps).
The cash flows and the income statement impact of hedged highly probably forecast transactions as of December 31, 2020 are expected to occur up until 2022.
During 2020, there were no significant cases of hedged items being no longer considered highly probable.
The positive fair value of derivatives qualified for hedge accounting as of December 31, 2020 totalled €82 million (€17 million as of December 31, 2019). For these derivatives, the spot component, amounting to €87 million (€20 million as of December 31, 2019), was suspended in the hedging reserve for an amount of €85 million (€15 million as of December 31, 2019) and recorded as financial income and expense for €2 million (€5 million as of December 31, 2019), while the forward component, not designated as a hedging instrument, was recorded as financial income and expense for -€9 million (-€5 million as of December 31, 2019).
The negative fair value on derivative hedging contracts as of December 31, 2020 amounted to €20 million (€21 million as of December 31, 2019). The spot component of these derivatives of €19 million (€1 million as of December 31, 2019) was recorded as financial income and expense for €19 million (€1 million as of December 31, 2019), no spot component was suspended in the hedging reserve as in the previous year. No forward component was recorded as financial income and expense (€18 million as of December 31, 2019).
With regard to commodities contracts, the fair value of €4 million was suspended in the hedging reserve.

The change in the hedging reserve between December 31, 2019 and December 31, 2020 detailed below was due to fair value changes in hedges that were effective for the whole year, or new hedging relations designated during the year and to the transfer of hedging gains or losses from equity to the income statement either because the hedged transactions affected profit or loss, or following the termination of the hedge against risk exposures which are no longer certain or highly probable.

| (€ million) | Dec. 31, 2019 | Profit for the period | Loss for the period | EBITDA adjusted profits | EBITDA adjusted losses | Gains due to cancellation of underlying transactions | Losses due to cancellation of underlying transactions | Dec. 31, 2020 |
|---|---|---|---|---|---|---|---|---|
| **Exchange rate hedge reserve** | | | | | | | | |
| Saipem SpA | (20) | 173 | (100) | (85) | 94 | (2) | 3 | 63 |
| Saipem SA | 4 | 36 | (37) | (16) | 17 | (1) | 1 | 4 |
| Sofresid SA | - | 1 | (1) | - | - | - | - | - |
| Saipem (Portugal) Comércio Marítimo, Sociedade Unipessoal Lda | (2) | 9 | (11) | (4) | 9 | (1) | - | - |
| Saipem Ltd | (2) | 21 | (37) | (17) | 21 | - | - | (14) |
| Saipem Misr for Petroleum Services (S.A.E.) | (1) | 9 | (5) | (1) | 4 | (5) | 1 | 2 |
| Servizi Energia Italia SpA | 1 | 155 | (120) | (59) | 46 | - | - | 23 |
| Saimexicana SA de Cv | - | - | - | (2) | 2 | - | - | - |
| Snamprogetti Saudi Arabia Co Ltd Llc | 8 | 52 | (8) | (6) | 2 | - | - | 48 |
| Saudi Arabian Saipem Ltd | (1) | 1 | - | (1) | 1 | - | - | - |
| Saipem America Inc | - | - | (1) | - | 1 | - | - | - |
| Saipem Contracting Netherlands BV | - | 13 | (7) | (10) | 5 | - | - | 1 |
| Saipem Contracting Nigeria Ltd | - | 1 | (1) | - | - | - | - | - |
| Saipem Offshore Construction SpA | - | 4 | (1) | (3) | 1 | - | - | 1 |
| Saipem Luxembourg SA | - | 11 | (6) | (6) | 1 | - | - | - |
| Saipem Singapore Pte Ltd | - | 2 | - | (1) | - | - | - | 1 |
| Saipem Asia Sdn Bhd | - | 1 | (1) | (1) | 1 | - | - | - |
| PT Saipem Indonesia | - | 2 | (3) | (2) | 3 | - | - | - |
| **Total exchange rate hedge reserve** | **(13)** | **491** | **(339)** | **(214)** | **208** | **(9)** | **5** | **129** |
| **Commodity hedge reserve** | | | | | | | | |
| Saipem Ltd | - | 2 | (1) | - | - | - | - | 1 |
| Snamprogetti Saudi Arabia Co Ltd Llc | 2 | 6 | - | - | - | - | - | 8 |
| **Total commodity hedge reserve** | **2** | **8** | **(1)** | **-** | **-** | **-** | **-** | **9** |
| **Interest rate hedge reserve** | | | | | | | | |
| Saipem SpA | (2) | 1 | - | - | - | - | - | (1) |
| **Total interest rate hedge reserve** | **(2)** | **1** | **-** | **-** | **-** | **-** | **-** | **(1)** |
| **Total hedge reserve** | **(13)** | **500** | **(340)** | **(214)** | **208** | **(9)** | **5** | **137** |

During 2020, core business revenue and expenses were adjusted by a net negative amount of €6 million to reflect the effects of hedging.
Information on hedged risks and carrying amounts of financial instruments and the related effect on income statement and equity are provided in Note 29 “Guarantees, commitments and risks”. Information on hedging policy is provided in Note 3 “Accounting policies” in the “Financial risk management” section.

## 26 Assets held for sale

As of December 31, 2020 there were no assets held for sale.

# 27 Equity

## Non-controlling interests

Non-controlling interests as of December 31, 2020 amounted to €25 million (€93 million as of December 31, 2019).
The composition of the non-controlling interests is shown below.

| | Profit (loss) for the year | | Equity | |
|---|---|---|---|---|
| (€ million) | 2019 | 2020 | 2019 | 2020 |
| ER SAI Caspian Contractor Llc | 86 | 19 | 90 | 22 |
| Other | - | - | 3 | 3 |
| **Total** | **86** | **19** | **93** | **25** |

## Equity attributable to the owners of the parent

Equity attributable to the owners of the parent as of December 31, 2020 amounted to €2,923 million (€4,032 million as of December 31, 2019) and was as follows:

| (€ million) | Dec. 31, 2019 | Dec. 31, 2020 |
|---|---|---|
| Share capital | 2,191 | 2,191 |
| Share premium | 553 | 553 |
| Legal reserve | 88 | 88 |
| Hedging reserve | (10) | 107 |
| Fair value reserve | 1 | 1 |
| Translation reserve | (21) | (101) |
| Actuarial reserve | (36) | (35) |
| Other | (46) | (46) |
| Retained earnings | 1,395 | 1,387 |
| Profit (loss) for the year | 12 | (1,136) |
| Negative reserve for treasury shares in portfolio | (95) | (86) |
| **Total** | **4,032** | **2,923** |

Equity attributable to the owners of the parent as of December 31, 2020 included distributable reserves of €890 million.
Some of these reserves are subject to taxation upon distribution. A deferred tax liability has been recorded in relation to the share of reserves that may potentially be distributed (€24 million).

## Share capital

As of December 31, 2020, the share capital of Saipem SpA, fully paid-up, amounted to €2,191 million, corresponding to 1,010,977,439 shares, none with a nominal amount, of which 1,010,966,841 are ordinary shares and 10,598 savings shares.
On April 29, 2020, the Ordinary Shareholders' Meeting of Saipem SpA resolved to distribute the dividend of €0.01 per ordinary share and €0.01 per savings share, excluding the treasury shares held on the dividend date, for a total of €9,883 thousand.

## Share premium

This interim amounts to €553 million as of December 31, 2020 (€553 million as of December 31, 2019).

## Other reserves

As of December 31, 2020, "Other reserves" amounted to €14 million (-€24 million as of December 31, 2019) and consisted of the following items:

| (€ million) | Dec. 31, 2019 | Dec. 31, 2020 |
|---|---|---|
| Legal reserve | 88 | 88 |
| Hedging reserve | (10) | 107 |
| Fair value reserve | 1 | 1 |
| Translation reserve | (21) | (101) |
| Actuarial reserve | (36) | (35) |
| Other | (46) | (46) |
| **Total** | **(24)** | **14** |

## Legal reserve

As of December 31, 2020, the legal reserve stood at €88 million. This represents the portion of profits of the parent Saipem SpA, accrued as per Article 2430 of the Italian Civil Code, that cannot be distributed as dividends.

## Hedging reserve

This reserve showed a positive balance of €107 million (negative balance of €10 million as of December 31, 2019), which related to the fair value of interest rate swaps, commodity hedges and the spot component of foreign exchange risk hedges as of December 31, 2020.
The hedging reserve is shown net of tax effects of €30 million (€3 million as of December 31, 2019).

## Fair value reserve

The positive reserve of €1 million includes the fair value of available-for-sale financial instruments.

## Translation reserve

This reserve amounted to -€101 million (-€21 million as of December 31, 2019) and related to exchange differences arising from the translation into euro of financial statements denominated in currencies other than euro (mainly the US dollar).

## Actuarial reserve

This reserve has a negative balance of €35 million (-€36 million as of December 31, 2019), net of the tax effect of €10 million.
This reserve, in accordance with the provisions of IAS 19, includes the actuarial gains and losses relative to the employee defined benefit plans. These remeasurements are not allocated to the income statement.

## Other

Other with a negative balance of €46 million (negative for €46 million as of December 31, 2019), consisted of the following items:
> positive for €2 million with regard to the revaluation reserve consisting of the positive revaluation balance following the application of Law No. 413 of December 30, 1991, Article 26 (in the case of distribution, 5% of the reserves contribute to forming the taxable profit of the Company and are subject to the tax rate of 24%);
> negative for €48 million for the effect recognised as a reserve following the acquisition of a non-controlling interest in consolidated subsidiaries.

## Negative reserve for treasury shares in portfolio

The negative reserve amounted to €86 million (€95 million as of December 31, 2019) and it includes the value of treasury shares for the implementation of long-term incentive plans for the Group's Senior Managers.
The breakdown of treasury shares is as follows:

| | Number of shares | Average cost (€) | Total cost (€ million) | Share capital (%) |
|---|---|---|---|---|
| Treasury shares held at January 1, 2020 | 14,724,205 | 6.446 | 95 | 1.46 |
| Purchases in 2020 | 7,934,080 | 2.080 | 16 | 0.78 |
| Allocation | (5,125,615) | 4.917 | (25) | 0.51 |
| **Treasury shares held as of December 31, 2020** | **17,532,670** | **4.917** | **86** | **1.73** |

As of December 31, 2020, the share capital amounted to €2,191,384,693. On the same day, the number of shares in circulation was 993,444,769.

### Reconciliation of statutory net profit (loss) for the year and shareholders' equity to consolidated net profit (loss) for the year and shareholders' equity

| | Dec. 31, 2019 | | Dec. 31, 2020 | |
|---|---|---|---|---|
| (€ million) | Profit (loss) for the year | Equity | Profit (loss) for the year | Equity |
| **As reported in Saipem SpA's financial statements** | **(85)** | **3,062** | **(171)** | **2,937** |
| Surplus shareholder equity in the overall results for the period, compared to the book value of the consolidated company shares | 34 | 549 | (1,011) | (547) |
| Consolidation adjustments, net of tax effects: | | | | |
| - difference between purchase cost and underlying carrying amount of equity | (2) | 727 | (3) | 723 |
| - elimination of unrealised intra group profits | 28 | (236) | 36 | (216) |
| - other adjustments | 123 | 23 | 32 | 51 |
| **Total equity** | **98** | **4,125** | **(1,117)** | **2,948** |
| Non-controlling interests | (86) | (93) | (19) | (25) |
| **As reported in the consolidated financial statements** | **12** | **4,032** | **(1,136)** | **2,923** |

The item "Other adjustments" includes mainly: (i) consolidated entries aiming to align the profit margins of contracts affecting more than one subsidiary, the individual progress of which may not have uniform economic/temporal development synchronised to the progress of the consolidated contract; (ii) consolidated entries to reflect and align any impairments deriving from impairment tests.

## 28 Additional information

No disposals of entities no longer included in the consolidation scope and businesses units were reported during 2020.
Disposals in 2019, with a net effect of zero, concern the sale of a business unit by Sofresid Engineering SA.

## 29 Guarantees, commitments and risks

### Guarantees

Guarantees amounted to €7,019 million (€7,234 million as of December 31, 2019), and were as follows:

| | Dec. 31, 2019 | | | Dec. 31, 2020 | | |
|---|---|---|---|---|---|---|
| (€ million) | Unsecured | Other personal guarantees | Total | Unsecured | Other personal guarantees | Total |
| Joint ventures and associates | 164 | 148 | 312 | 121 | 254 | 375 |
| Consolidated companies | 60 | 373 | 433 | 53 | 526 | 579 |
| Own | - | 6,489 | 6,489 | - | 6,065 | 6,065 |
| **Total** | **224** | **7,010** | **7,234** | **174** | **6,845** | **7,019** |

Other personal guarantees issued for consolidated companies amounted to €526 million (€373 million as of December 31, 2019), which and related to independent guarantees given to third parties mainly to bid bonds and performance bonds.
Guarantees issued to/through related parties are detailed in Note 38 "Related party transactions".

### Commitments

Saipem SpA has commitments with clients and/or other beneficiaries (financial and insurance institutions, export credit agencies) relating to the fulfilment of contractual obligations entered into by itself and/or by its subsidiaries or associates in the event of non-performance and payment of any damages arising from non-performance.
These commitments, which are performance obligations, guarantee contracts whose overall value amounted to €65,624 million (€62,105 million as of December 31, 2019), including both work already performed and the relevant portion of the backlog of orders as of December 31, 2020.
The repayment obligations of bank loans granted to Saipem Group companies are generally supported by guarantees issued by the parent company Saipem SpA and other Group companies. The repayment obligations of the Group's bond issues are covered by guarantees issued by the parent company Saipem SpA, and other Group companies.

### Risk management

For information on risk management, both financial and industrial, please refer to the analytical description in Note 3 "Accounting policies" in the "Financial risk management" section and to the "Risk management" section in the Directors' Report.

## Additional information on financial instruments

### FINANCIAL INSTRUMENTS - CARRYING AMOUNTS AND EFFECT ON INCOME STATEMENT AND EQUITY

The carrying amounts and effect on income statement and equity of financial instruments were as follows:

| (€ million) | Carrying amount | Income (expense) recorded in the income statement | Income (expenses) recorded to other items of comprehensive income |
|---|---|---|---|
| **Financial instruments held for trading** | | | |
| Non-hedging derivatives [(a)] | 62 | 60 | - |
| **Financial instruments measured at fair value** | | | |
| Bonds | 68 | - | - |
| **Financial fixed assets** | | | |
| Equity investments carried at fair value | - | - | - |
| **Receivables and payables and other assets (liabilities) measured at amortised cost** | | | |
| Trade receivables and other assets [(b)] | 1,991 | (101) | - |
| Loan assets [(c) (g)] | 477 | 2 | - |
| Trade payables and other liabilities [(d)] | 2,463 | 27 | - |
| Contract liabilities | 1,616 | - | - |
| Loans and borrowings [(e) (h)] | 3,455 | (122) | - |
| Net hedging derivative assets (liabilities) [(f)] | 62 | (6) | 155 |

(a) The income statement effects relate only to the income (expense) indicated in Note 32 "Financial income (expense)".
(b) The effects on the income statement were recognised in the "Net reversals of impairment losses (impairment losses) on trade receivables and other assets" for €5 million of losses and in the "Financial income (expense)" for €96 million of losses (relating to currency translations gains (losses) arising from adjustments to the year-end exchange rate).
(c) The income statement effects of €2 million of income were recognised in "Financial income (expense)".
(d) The income statement effects of €27 million of income relating to currency translation gains/losses arising from adjustments to the year-end exchange rate were recognised in the "Financial income (expense)".
(e) The income statement effects of €12 million of income relating to leases (currency translation gains/losses arising from adjustments to the year-end exchange rate) and of €112 million of losses (financial income (expense) related to net financial debt not related to leases) and for €22 million of losses (financial income (expense) related to net financial debt related to lease following the IFRS 16-effect) were recognised in the "Financial income (expense)".
(f) Income statement effects of €6 million of losses were recognised in the "Core business revenue" and in "Purchases, services and other costs".
(g) The item includes current and non-current lease assets amounting to €67 million.
(h) The item includes current and non-current lease liabilities amounting to €421 million.

### NOTIONAL AMOUNTS OF DERIVATIVES

The notional amount of a derivative is an amount used as a reference to calculate the contractual payments to be exchanged. This amount may be expressed in terms of a monetary or physical quantity (e.g. barrels, tonnes, etc.). Monetary quantities in foreign currencies are converted into euros at the exchange rate prevailing at year end.
Notional amounts of derivatives, as summarised below, do not represent the amounts actually exchanged between the parties and do not therefore constitute a measure of Saipem's credit risk exposure. This is instead represented by the fair value of derivatives at year end.

### INTEREST RATE RISK MANAGEMENT

To face the risk of interest rate variations, the Group has entered into "Interest Rate Swap" (IRS) contracts with third other banks. Pursuant to these contracts it was agreed to exchange with the counterparty, at set deadlines, the difference between the fixed and the variable rate, calculated on the basis of a reference notional value. The following table shows the relevant data referring to the Interest Rate Swap contracts with other banks, effective at the end of the year:

| | | Dec. 31, 2019 | Dec. 31, 2020 |
|---|---|---|---|
| Notional amount | (€ million) | 150 | 112 |
| Weighted average buying rate | (%) | (0.408) | (0.,545) |
| Weighted average selling rate | (%) | 0.129 | 0.129 |
| Weighted average maturity | (years) | 2 | 2 |

Average variable interest rates are based on year-end rates and may be subject to changes that could have a significant impact on future cash flows. Comparisons between the average buying and selling rates are not indicative of the fair value of derivatives contracts in force. In order to determine their fair value, the underlying transactions must be taken into account.
The market value of this type of contract as of December 31, 2020 shows a theoretical liability of €1 million. The underlying transactions are expected to occur by November 2023.

### EXCHANGE RATE RISK MANAGEMENT

The Group enters into various types of exchange rate derivatives to manage its currency risk. For contracts involving the exchange of two foreign currencies, both the amount received and the amount sold are indicated.

| (€ million) | Nominal value as of Dec. 31, 2019 | Nominal value as of Dec. 31, 2020 |
|---|---|---|
| Forward foreign exchange contracts | 117 | 891 |

The table below shows forward foreign exchange contracts and other instruments used to manage the currency risk for the principal currencies.

| | Notional amount as of Dec. 31, 2019 | | Notional amount as of Dec. 31, 2020 | |
|---|---|---|---|---|
| (€ million) | Purchases | Sales | Purchases | Sales |
| AED | 5 | 7 | - | 10 |
| AUD | 54 | 1 | 73 | 6 |
| CAD | - | 15 | - | 28 |
| CHF | 2 | 3 | 2 | 3 |
| CLP | 32 | 22 | - | - |
| EUR | 787 | - | 624 | 17 |
| GBP | 85 | 14 | 171 | 61 |
| IDR | 84 | - | 50 | - |
| JPY | 4 | 12 | 24 | 2 |
| KWD | 33 | 428 | 49 | 254 |
| MXN | - | 30 | - | 30 |
| NOK | 29 | 14 | 10 | 1 |
| PLN | - | 23 | - | 22 |
| RON | - | 6 | - | 9 |
| RUB | 3 | 14 | 39 | 37 |
| SAR | 185 | 598 | 31 | 561 |
| SGD | 1 | 12 | 2 | 27 |
| THB | - | 19 | - | 26 |
| USD | 1,281 | 1,484 | 1,948 | 2,820 |
| ZAR | - | - | 5 | 5 |
| **Total** | **2,585** | **2,702** | **3,028** | **3,919** |

The table below shows the hedged cash flows as of December 31, 2020, by time period of occurrence and expressed in euro.

| (€ million) | First quarter 2021 | Second quarter 2021 | Third quarter 2021 | Fourth quarter 2021 | 2022 and beyond | Total |
|---|---|---|---|---|---|---|
| Revenue | 754 | 808 | 679 | 631 | 444 | **3,316** |
| Expenses | 433 | 701 | 637 | 691 | 1,095 | **3,557** |

### COMMODITY PRICE RISK

The Group only enters into commodity contracts with the purpose of managing its commodity price risk exposure.
The following table shows hedged cash flows as of December 31, 2020 by time period of occurrence.

| (€ million) | First quarter 2021 | Second quarter 2021 | Third quarter 2021 | Fourth quarter 2021 | 2022 and beyond | Total |
|---|---|---|---|---|---|---|
| Expenses | 1 | 24 | 4 | 3 | - | 32 |

### INFORMATION ON FAIR VALUE

The classification of financial assets and liabilities is given below; these are measured at fair value in the statement of financial position, according to the fair value hierarchy defined according to the significance of the inputs used in the assessment process. In particular, depending on the characteristics of the inputs used for assessment, the fair value hierarchy has the following levels:

a) level 1: prices (not subject to variations) listed on active markets for the same financial assets or liabilities;

b) level 2: assessments made on the basis of inputs, other than the listed prices referred to in the preceding point, which, for the measured asset/liability, can be observed directly (prices) or indirectly (derived from prices); and
c) level 3: inputs not based on observable market data.

In relation to the above, the financial instruments measured at fair value as of December 31, 2020 were as follows:

| | Dec. 31, 2020 | | | |
|---|---|---|---|---|
| (€ million) | Level 1 | Level 2 | Level 3 | Total |
| Financial assets (liabilities) held for trading: | | | | |
| - non-hedging derivatives | - | 62 | - | 62 |
| Financial assets available for disposal: | | | | |
| - financial assets measured at fair value through OCI | 68 | - | - | 68 |
| Net hedging derivative assets (liabilities) | - | 62 | - | 62 |
| **Total** | **68** | **124** | **-** | **192** |

Throughout the financial year 2020, there were no transfers between the different levels of the fair value hierarchy.

## Legal proceedings

The Group is a party in some judicial proceedings. Provisions for legal risks are made on the basis of information currently available, including information acquired by external consultants providing the Group with legal support. Information available to the Group for the purposes of risk assessment regarding criminal proceedings at the preliminary investigation phase is by its very nature incomplete due to the principle of pre-trial secrecy. A summary of the most important disputes is provided below.

### ALGERIA

**Investigations in Italy:** on February 4, 2011, the Milan Public Prosecutor's office, through Eni, requested the transmission of documentation pursuant to Article 248 of the Code of Criminal Procedure. This related to the activities of Saipem Group companies in Algeria in connection with an allegation of international corruption. The crime of "international corruption" specified in the request is one of the offences punishable under Legislative Decree No. 231 of June 8, 2001 in connection with the direct responsibility of collective entities for certain crimes committed by their own employees.
Collection of documentation commenced immediately in compliance with the request, and on February 16, 2011, Saipem filed such documentation.
On November 22, 2012, Saipem received a notification of inquiry from the Milan Public Prosecutor's office related to alleged unlawful administrative acts arising from the crime of international corruption pursuant to Article 25, paragraphs 2 and 3 of Legislative Decree No. 231/2001, together with a request to provide documentation regarding a number of contracts connected with activities in Algeria. This request was followed by notification of a seizure order on November 30, 2012, two further requests for documentation on December 18, 2012 and February 25, 2013 and the issue of a search warrant on January 16, 2013.
On February 7, 2013, a search was conducted, also at Eni SpA offices, to obtain additional documentation relating to intermediary agreements and subcontracts entered into by Saipem in connection with its Algerian projects. The subject of the investigations are allegations of corruption which, according to the Milan Public Prosecutor, occurred up until and after March 2010 in relation to a number of contracts the Company was awarded in Algeria.
Several former employees of the Company were involved in the proceedings, including the former Deputy Chairman and CEO in office until December 5, 2012, the former Chief Operating Officer of the Engineering & Construction Business Unit in office until December 5, 2012 and the former Chief Financial Officer in office until August 1, 2008. The Company collaborated fully with the Prosecutor's Office and rapidly implemented decisive managerial and administrative restructuring measures, irrespective of any liability that may have resulted in the course of the proceedings. In agreement with the Board of Statutory Auditors and the Internal Control Bodies, and having duly informed the Prosecutor's Office, Saipem looked into the contracts that are subject to investigation, and to this end appointed an external legal firm. On July 17, 2013, the Board of Directors analysed the conclusions reached by the external consultants following an internal investigation carried out in relation to a number of brokerage contracts and subcontracts regarding projects in Algeria. The internal investigation was based on the examination of documents and interviews of personnel from the Company and other companies in the Group, excluding those, that to the best knowledge of the Company, would be directly involved in the criminal investigation so as not to interfere in the investigative activities of the Prosecutor. In July 2013, the Board of Directors, confirming its full cooperation with the investigative authorities, decided to convey the findings of the external consultants to the Public Prosecutor of Milan, for any appropriate assessment and initiatives under its responsibility in the wider context of the ongoing investigation. The consultants reported to the Board: (i) that they found no evidence of payments to Algerian public officials through the brokerage contracts or subcontracts examined; (ii) that they found violations, deemed detrimental to the interests of the Company, of internal rules and procedures – in force at the time – in relation to the approval and management of brokerage contracts and subcontracts examined and a number of activities in Algeria.
In July 2013, the Board of Directors decided to initiate legal action against certain former employees and suppliers in order to protect the interests of the Company, reserving the right to take any further action necessary should additional information emerge.
As part of these legal actions, the Milan Court of Appeal, on February 11, 2021, sentenced the former Chief Operating Officer of the Engineering & Construction Business Unit in office until December 5, 2012 to pay Saipem SpA the sum of €10 million by way of compensation for damages, as well as interest and revaluation.
On June 14, 2013, January 8, 2013 and July 23, 2014 the Milan Public Prosecutor's office submitted requests for extensions to the preliminary investigations. On October 24, 2014, notice was received of a request from the Milan Public Prosecutor to gather evidence before trial by way of questioning the former Chief Operating Officer of the Saipem Engineering & Construction

Business Unit in office until December 5, 2012, and another former manager of Saipem, who are both under investigation in the criminal proceedings. After the request was granted, the Judge for the Preliminary Hearing in Milan set hearings for December 1 and 2, 2014. On January 15, 2015, Saipem SpA defence counsel received notice from the Milan Public Prosecutor's office of the conclusion of preliminary investigations, pursuant to Article 415-*bis* of the Italian code of criminal procedure. Notice was also received by eight physical persons and the legal person of Eni SpA. In addition to the crime of "international corruption" specified in the request from the Milan Public Prosecutor's office, the notice also contained an allegation against seven physical persons of a violation of Article 3 of Legislative Decree No. 74 of March 10, 2000 concerning the filing of fraudulent tax returns, in connection with the recording in the books of Saipem SpA of *"brokerage costs deriving from the agency agreement with Pearl Partners signed on October 17, 2007, as well as Addendum No. 1 to the agency agreement entered into August 12, 2009", which is alleged to have led subsequently "to the inclusion in the consolidated tax return of Saipem SpA of profits that were lower than the real total by the following amounts: 2008: -€85,935,000; 2009: -€54,385,926"*.

**Criminal proceedings in Italy:** on February 26, 2015, Saipem SpA defence counsel received notice from the Judge for the Preliminary Hearing of the scheduling of a preliminary hearing, together with a request for committal for trial filed by the Milan Public Prosecutor's office on February 11, 2015. Notice was also received by eight physical persons and the legal person of Eni SpA. The hearing was scheduled by the Judge for the Preliminary Hearing for May 13, 2015. During the hearing, the Revenue Office appeared as plaintiff in the proceedings whereas other requests to be admitted as plaintiff were rejected.

On October 2, 2015, the Judge for the Preliminary Hearing rejected the questions of unconstitutionality and those relating to the statute of limitations presented by the defence attorneys and determined as follows:

(i) ruling not to proceed for lack of jurisdiction in regard to one of the accused;
(ii) ruling of dismissal in regard to all of the accused in relation to the allegation that the payment of the commissions for the MLE project by Saipem (approximately €41 million) may have served to enable Eni to acquire the Algerian ministerial approvals for the acquisition of First Calgary and for the expansion of a field in Algeria (CAFC). This measure also contains the decision to acquit Eni, the former CEO of Eni and an Eni executive in regard to any other charge;
(iii) a decree that orders trial, among others, for Saipem and three former Saipem employees (the former Deputy Chairman and CEO in office until December 5, 2012, the former Chief Operating Officer of the Engineering & Construction Business Unit in office until December 5, 2012 and the former Chief Financial Officer in office until August 1, 2008) with reference to the charge of international corruption formulated by the Public Prosecutor's office according to which the accused were complicit in enabling Saipem to win seven contracts in Algeria on the basis of criteria of mere favouritism. For the physical persons only (not for Saipem) the committal for trial was pronounced also with reference to the allegation of fraudulent statements (tax offences) brought by the Public Prosecutor's office.

On the same date, at the end of the hearing relating to a section of the main proceedings, the Judge for the Preliminary Hearing of Milan issued a plea-bargaining sentence in accordance with Article 444 of the code of criminal procedure for a former executive of Saipem SpA.

On November 17, 2015, the Public Prosecutor of Milan and the Prosecutor General at the Milan Court of Appeal filed an appeal with the Court of Cassation against the first two measures. On February 24, 2016 the Court of Cassation upheld the appeal lodged by the Public Prosecutor of Milan and ordered the transmission of the trial documents to a new Judge for the Preliminary Hearing at the Court of Milan.

With reference to this branch of the proceedings (the so-called "Eni branch"), on July 27, 2016, the new Judge for the Preliminary Hearing ordered the committal for trial of all the accused parties.

On November 11, 2015, on the occasion of publication of the 2015 corporate liability report of the office of the Public Prosecutor in Milan, it was affirmed that: *" a ruling was recently issued by the Judge for the Preliminary Investigation for the preventive seizure of assets belonging to the accused parties for the sum of €250 million. The ruling confirms the freezing previously decided upon by the foreign authorities of monies deposited in bank accounts in Singapore, Hong Kong, Switzerland and Luxembourg, totalling in excess of €100 million"*. Saipem was not target of such measures, it came to its attention that the seizure in question involved the personal assets of the Company's former Chief Operating Officer in office until December 5, 2012 and two other persons accused.

At the same time, following the decree ordering the trial pronounced on October 2, 2015 by the Judge for the Preliminary Hearing, the first hearing before the Court of Milan in the proceedings of the so-called "Saipem branch" was held on December 2, 2015. During said hearing, Sonatrach asked to be admitted as plaintiff only against the physical persons charged. The Movimento cittadini algerini d'Italia e d'Europa likewise put forward a request to be admitted as plaintiff. The Revenue Office confirmed the request for admission as plaintiffs only against the physical persons accused of having made fraudulent tax returns. At the hearing of January 25, 2016, the Court of Milan rejected the request put forward by Sonatrach and the Movimento cittadini algerini d'Italia e di Europa to be admitted as plaintiff. The Court adjourned to February 29, 2016, reserving the right to pass judgement on the claims put forward by the accused of invalidity of the committals to trial.

At the hearing of February 29, 2016, the Court combined the proceedings with another pending case against a sole defendant (a physical person against whom Sonatrach had appeared as a plaintiff) and rejected the claims of invalidity of the committal to trial, calling on the Public Prosecutor to reformulate the charges against a sole defendant and adjourning the hearing to March 21, 2016. The Court then adjourned the proceedings to the hearing of December 5, 2016 in order to assess whether to combine it with the proceedings described earlier (the so-called Eni branch) for which the Judge for the Preliminary Hearing ordered the committal for trial of all the accused parties on July 27, 2016.

With the order of December 28, 2016, the President of the Court of Milan authorised the abstention request of the Chairman of the Panel of judges.

At the hearing on January 16, 2017, the two proceedings (the so-called Saipem branch and the so-called Eni branch) were combined before a new panel appointed on December 30, 2016.

Once the hearings on evidence finished with the hearing of February 12, 2018, in the subsequent hearings of February 19, 2018 and February 26, 2018, the Public Prosecutor proceeded with the indictment.

Generic extenuating circumstances were not considered to be initially attributable to the defendants and, conversely, that the aggravating circumstance of the transnational crime allegedly subsisted, the Public Prosecutor formulated sentencing requests for the accused individuals.
With regard to Saipem SpA and Eni SpA the Public Prosecutor requested a fine of €900,000 as the sentence for each company. Furthermore, the Public Prosecutor requested a "seizure of assets", equal to currently seized assets, relating to some seizures previously carried out against certain natural persons accused. Therefore, the request for seizure of assets did not concern Saipem SpA.
At the hearing of March 5, 2018:
(i) the Italian Revenue Agency has requested the conviction of only the physical persons indicted as was requested by the Public Prosecutor with the conviction of only the physical persons charged for compensation of the pecuniary and non-pecuniary damage in favour of the Italian Revenue Agency to be liquidated on an equitable basis and with a provisional amount of €10 million;
(ii) Sonatrach has requested the conviction of the accused Samyr Ourayed and sentencing of the latter to the compensation of the damage to be liquidated in equitable way.

On September 19, 2018, the hearings dedicated to arguments by the defence and to the replies by the Public Prosecutor and the defence ended.
**The first instance ruling of the Court of Milan:** on September 19, 2018, the Court of Milan pronounced the first instance ruling. The Court of Milan convicted, among others, some former managers of Saipem SpA for international corruption offences and also sentenced Saipem SpA to pay the pecuniary fine of €400,000, considering it to be allegedly responsible for offences pursuant to Legislative Decree No. 231/2001 with reference to the crime of international corruption.
The former managers of Saipem SpA who were convicted by the Court of Milan had all left the Company between 2008 and 2012. The Court also ordered the confiscation of, as alleged profit from the crime, the total sum of approximately €197 million from all the individuals who were convicted (and among them some of the former managers of the Company).
The Court also ordered the confiscation of, as alleged price from the crime, the total sum of approximately €197 million from Saipem pursuant to Article 19 of Legislative Decree No. 231/2001.
From what emerged during the proceedings and the requests of the Public Prosecutor, a preventive seizure had already been in place in order to confiscate an amount totalling approximately €160 million from certain individuals – other than the Company – all convicted in the first instance ruling.
The first instance ruling of the Court is not enforceable. The reasons for the first instance ruling were filed by the Court of Milan on December 18, 2018.
**The judgement before the Court of Appeal of Milan:** on February 1, 2019, Saipem SpA challenged the first instance ruling before the Court of Appeal of Milan. Even the individuals convicted in the first instance have appealed the first instance ruling. The Public Prosecutor's Office of Milan also appealed the first instance ruling requesting, in a reversal of that ruling, that the conviction of Eni SpA, of the former Chief Executive Officer of Eni and of one of its managers *"be imposed by the Court of Appeal, as well as financial penalties and interdictory sanctions deemed lawful"*. The Public Prosecutor's Office of Milan has also requested a reversal of the contested ruling to *"condemn the company Saipem to financial penalties and interdictory sanctions deemed lawful"*. On February 14, 2019, Saipem's lawyers lodged a defence brief in which they pleaded: (i) the inadmissibility of the appeal by the Public Prosecutor of the Court's decision not to consider interdictory sanctions applicable to Saipem SpA; and/or (ii) the inapplicability of the interdictory sanctions requested by the Public Prosecutor's Office against Saipem SpA.
On January 15, 2020, the Court of Appeal of Milan fully upheld the appeal of Saipem SpA and of the individuals charged (including some former managers of Saipem who all left the Company between 2008 and 2012), stating, among other things, the absence of the administrative offence of Saipem SpA because of the inexistence of the alleged facts, revoking the confiscation of the price of the offence that was pronounced in the First Instance by the Court of Milan, pursuant to Article 19 of Legislative Decree No. 231/2001.
The Court has filed the reasons of the second instance ruling on April 15, 2020.
**The judgement before the Court of Cassation:** on June 12, 2020, the General Public Prosecutor General at the Milan Court of Appeal filed an appeal before the Court of Cassation against the Milan Court of Appeal judgment issued on January 15, 2020, asking for the annulment of that decision and for the review of the case by another section of the Court of Appeal.
The Court of Cassation, on December 14, 2020, rejected the appeal by the General Public Prosecutor of Milan.
On December 14, 2020, Saipem SpA issued the following press release:
*"Today the Court of Cassation issued its ruling on the appeal presented by the General Public Prosecutor at the Milan Court of Appeal on June 12, 2020 against the second instance judgement concerning offences allegedly committed in Algeria up to March 2010 relating to certain contracts, which were completed many years ago.*
*Specifically, the Court of Cassation today, pronounced its judgement, fully rejecting the appeal presented by the General Public Prosecutor at the Milan Court of Appeal, which had requested the annulment of the second instance judgment issued on January 15, 2020 by the Milan Court of Appeal. The latter had acquitted the individuals charged (including some former managers of Saipem who had all left the Company between 2008 and 2012), stating, among other things, vis-à-vis the alleged international corruption charge, the absence of the administrative offence of Saipem SpA pursuant to Legislative Decree No. 231/2001, because of the inexistence of the alleged facts, revoking the confiscation of the price of the offence of approximately €197 million and the payment of the pecuniary sanction of €400,000, that were pronounced in the First Instance by the Court of Milan.*
*Saipem expresses its satisfaction for the decision issued today by the Court of Cassation, which brings an end to the "Algeria" proceedings with Saipem's full acquittal".*
**Request for documents from the US Department of Justice:** at the request of the US Department of Justice ("DoJ"), in 2013 Saipem SpA entered into a "tolling agreement" which extended by 6 months the limitation period applicable to any possible violations of federal laws of the United States in relation to previous activities of Saipem and its subsidiaries. The tolling agreement, which has been renewed until November 29, 2015, does not constitute an admission by Saipem SpA of having

committed any unlawful act, nor does it imply any recognition on the Company's part of United States jurisdiction in relation to any investigation or proceedings. Saipem therefore offered its complete cooperation in relation to investigations by the Department of Justice, which on April 10, 2014 made a request for documentation relating to past activities of the Saipem Group in Algeria, with which Saipem has complied. On November 29, 2015, the tolling agreement expired and, at the date of the preparation of this report, almost six years have passed since the deadline, no request has been received from the Department of Justice.

**Proceedings in Algeria:** in 2010, proceedings were initiated in Algeria regarding various matters and involving 19 parties investigated for various reasons (so-called "Sonatrach 1 investigation"). The Société nationale pour la recherche, la production, le transport, la transformation et la commercialisation des hydrocarbures SpA ("Sonatrach") appeared as plaintiff in these proceedings and the Algerian Trésor Public also applied to appear as a plaintiff.

The Algerian company Saipem Contracting Algérie SpA ("Saipem Contracting Algérie") is also part of these proceedings regarding the manner in which the GK3 contract was awarded by Sonatrach. In the course of these proceedings, some bank accounts denominated in local currency of Saipem Contracting Algérie were frozen.

In particular, in 2012 Saipem Contracting Algérie received formal notice of the referral to the Chambre d'accusation at the Court of Algiers of an investigation underway into the company regarding allegations that it took advantage of the authority or influence of representatives of a government-owned industrial and trading company in order to inflate prices in relation to contracts awarded by that company. The GK3 contract was awarded in June 2009 and had an equivalent value of €433.5 million (at the exchange rate in effect when the contract was awarded).

At the beginning of 2013, the "Chambre d'accusation" ordered Saipem Contracting Algérie to stand trial and further ordered that the aforementioned bank accounts remain frozen. According to the prosecution, the price offered was 60% over the market price. The prosecution also claimed that, following a discount negotiated between the parties subsequent to the offer, this alleged increase was reduced by up to 45% of the price of the contract awarded. In April 2013 and in October 2014, the Algerian Supreme Court rejected a request to unfreeze the bank accounts that had been made by Saipem Contracting Algérie in 2010. The documentation was then transmitted to the Court of Algiers which, in the hearing of March 15, 2015, adjourned the proceedings to the hearing of June 7, 2015, during which, in the absence of certain witnesses, the Court officially handed over the case to a criminal court. The trial commenced with the hearing fixed for December 27, 2015. In the hearing of January 20, 2016, the Algiers Public Prosecutor requested the conviction of all 19 defendants accused in the "Sonatrach 1" trial.

The Algiers Public Prosecutor requested that Saipem Contracting Algérie be fined 5 million Algerian dinars (approximately €40,000 at the current rate of exchange).

The Algiers Public Prosecutor also requested the confiscation of the alleged profit ascertained by the Court, of all 19 parties whose conviction has been requested (including Saipem Contracting Algérie).

For the offence with which Saipem Contracting Algérie is charged, local regulations prescribe a fine as the main punishment (up to a maximum of about €40,000) and allow, in the case of the alleged offence, additional sanctions such as the confiscation of the profit arising from the alleged offence (which would be the equivalent of the amount allegedly over the market price of the GK3 contract as far as the profit is ascertained by the judicial authority) and/or disqualification sanctions.

On February 2, 2016, the Court of Algiers issued the first instance ruling. Amongst other things, this ruling ordered Saipem Contracting Algérie to pay a fine of about 4 million Algerian Dinars (corresponding to about €30,000). In particular Saipem Contracting Algérie was held to be responsible, in relation to the call for bids for the construction of the GK3 gas pipeline, of "an increase in price during the awarding of contracts signed with a public company of an industrial and commercial character in a way that causes benefit to be derived from the authority or influence of representatives of said company", an act punishable under Algerian law. The ruling also returned two bank accounts denominated in local currency to Saipem Contracting Algérie. These held a total of about € 59 million (amount calculated at the exchange rate as at December 31, 2020), which were frozen in 2010.

The client Sonatrach, which appeared as plaintiff in the proceedings, reserved the right to pursue its claims in the civil courts. The request by the Algerian Trésor Civil to appear as plaintiff was rejected.

Pending the filing of the reasons thereof, the ruling of February 2, 2016 of the Court of Algiers was challenged in the Court of Cassation: by Saipem Contracting Algérie (which requested acquittal and had announced that it would challenge the decision); by the Prosecutor General (who had requested the imposition of a fine of 5 million Algerian dinars and the confiscation, requests that were rejected by the Court, which, as said, fined Saipem Contracting Algérie the lesser amount of about 4 million Algerian dinars); by the Trésor Civil (whose request to be admitted as plaintiff against Saipem Contracting Algérie had been – as already stated – rejected by the Court); by all the other parties sentenced, in relation to the cases concerning them.

Owing to these challenges, the decision of the Court of Algiers was fully suspended and pending the ruling of the Court of Cassation:

- the payment has been suspended of the fine of approximately €30,000; and
- the unfreezing of the two banks accounts has been suspended containing a total of about €59 million (amount calculated at the exchange rate as at December 31, 2020). Sonatrach has not challenged the decision of the Court, consistently with its request, accepted by the Court, to be allowed to claim compensation subsequently in civil proceedings. This civil action was not initiated by Sonatrach.

With the judgement handed down on July 17, 2019, the Algerian Court of Cassation has fully overruled the decision of the Tribunal of Algiers of February 2, 2016, meaning that the Tribunal of Appeal of Algiers will have to rule on the matter following a new trial. The future Tribunal of Appeal's decision can be challenged before the Algerian Court of Cassation.

The reasons for the judgement of the Algerian Court of Cassation were made available on October 7, 2019. The sentence of the Algerian Court of Cassation decrees the total annulment of the decision of the Court of Algiers of 2016, following the acceptance of the appeals filed by all applicants (including the appeal by Saipem Contracting Algérie). The beginning of the new proceedings before the Tribunal of Appeal is neither known nor predictable at the date of the preparation of this report.

The Tribunal of Appeal of Algiers has set the hearing for the discussion of the case on February 17, 2021. At that hearing, the Tribunal of Appeal of Algiers postponed the hearing to a date to be set and which has been subsequently scheduled for the June 16, 2021.

**Ongoing Investigation - Algeria - Sonatrach 2:** in March 2013, the legal representative of Saipem Contracting Algérie was summoned to appear at the Court of Algiers, where he received verbal notification from the local investigating judge of the commencement of an investigation ("Sonatrach 2") underway "into Saipem for charges pursuant to Articles 25a, 32 and 53 of Anti-Corruption Law No. 01/2006". The investigating judge also requested documentation (Articles of Association) and other information concerning Saipem Contracting Algérie, Saipem and Saipem SA. After this summons, no further activities or requests followed.
On October 16 and 21, 2019, Saipem Contracting Algérie and the Algiers Branch of Snamprogetti SpA have been summoned by the investigating judge at the Supreme Court.
This investigation is in its initial phase, despite concerning events dating back to 2008 (award of the GNL3 Arzew contract). Saipem Contracting Algérie and the Algiers Branch of Snamprogetti SpA were further summoned on November 18, 2019 by the General Public Prosecutor at the Supreme Court of Algiers to provide information and documents relating to the GNL3 Arzew contract awarded by Sonatrach in 2008.
A further hearing of the representative of Saipem Contracting Algérie and the Algiers Branch of Snamprogetti SpA took place on November 18, 2019, at which the General Public Prosecutor of Algiers was provided with the information and documentation he had requested and asked to provide further documentation by December 4, 2019. Saipem Contracting Algérie and the Algiers Branch of Snamprogetti SpA promptly filed the documentation requested by the deadline of December 4, 2019.
The Algiers General Public Prosecutor also summoned a representative of Saipem SpA. On November 20, 2019, the General Public Prosecutor of Algiers informed Saipem Contracting Algérie and the Algiers Branch of Snamprogetti SpA that the Algerian Trésor Public has been admitted as plaintiff in the case under initial investigations.
On December 9, 2020, took place the hearing whit the local representative of Saipem SpA.
Saipem SpA, Saipem Contracting Algérie and the Algiers Branch of Snamprogetti were again called on December 16, 2020. Investigations in Algeria relating to the award and execution of the GNL3 Arzew contract are continuing.
**Amicable Settlement of Mutual Differences - Saipem Sonatrach agreement:** on February 14, 2018 Sonatrach and Saipem announced the amicable settlement of mutual differences, decided to settle their mutual differences amicably and signed an agreement to put an end to litigations in course concerning the contract for the construction of a gas liquefaction plant in Arzew (Arzew); the contract for the realisation of three trains of LPG, of an oil separation unit (LDPH) and of installations for the production of condensates in Hassi Messaoud (LPG); the contract for the realisation of the LZ2 24" LPG pipeline (line and station) in Hassi R'Mel (LZ2); and the contract for the construction of a gas and production unit in the Menzel Ledjmet field on behalf of the association Sonatrach/FCP (MLE). This agreement is the result of constructive dialogue and represents an important step forward in relations between the two companies. Sonatrach and Saipem have expressed their satisfaction at having reached a definitive agreement that puts an end to litigations that were detrimental to both parties.

### ONGOING INVESTIGATIONS - PUBLIC PROSECUTOR'S OFFICE OF MILAN - BRAZIL

On August 12, 2015, the Public Prosecutor's office of Milan served Saipem SpA with a notice of investigation and a request for documentation in the framework of new criminal proceedings, for the alleged crime of international corruption, initiated by the Court of Milan in relation to a contract awarded in 2011 by the Brazilian company Petrobras to Saipem SA (France) and Saipem do Brasil (Brazil). Investigations are still underway.
According to what was learned only through the press, this contract is being looked into by the Brazilian judicial authorities in relation to a number of Brazilian citizens, including a former associate of Saipem do Brasil.
In particular, on June 19, 2015, Saipem do Brasil learned through the media of the arrest (in regard to allegations of money laundering, corruption and fraud) of a former associate, as a result of a measure taken by the Brazilian Public Prosecutor's office of Curitiba, in the framework of a judicial investigation in progress in Brazil since March 2014 ("Lava Jato" investigation). On July 29, 2015, Saipem do Brasil then learned through the press that, in the framework of the conduct alleged against the former associate of Saipem do Brasil, the Brazilian Public Prosecutor's office also alleges that Petrobras was unduly influenced in 2011 to award Saipem do Brasil a contract called "Cernambi" (for a value, at the current exchange rate, of approximately €56 million). This has been purportedly deduced from the circumstance that in 2011, in the vicinity of the Petrobras headquarters, said former associate of Saipem do Brasil claims to have been the target of a robbery in which approximately 100,000 reals (approximately €26,000) just withdrawn from a credit institution were stolen from him. According to the Brazilian prosecutor, the robbery allegedly took place in a time period prior to the award of the aforesaid "Cernambi" contract.
Saipem SpA has cooperated fully with the investigations and has started an audit with the assistance of a third-party consultant. The audit examined the names of numerous companies and persons reported by the media as being under investigation by the Brazilian judicial authorities. The audit report, issued on July 14, 2016, recognised the absence of communications or documents relating to transactions and/or financial movements between companies of the Saipem Group and the personnel of Petrobras under investigation.
The witnesses heard in the criminal proceedings underway in Brazil against this former associate, as well as in the framework of the works of the parliamentary investigative committee set up in Brazil on the "Lava Jato" case, have stated that they were unaware of any irregularities regarding Saipem's activities.
Petrobras appeared as a plaintiff ("Assistente do Ministerio Publico") in the proceedings against the three individuals charged. The proceedings were then resumed on June 9, 2017 as the Brazilian Attorney General considered that the conditions for keeping confidential an agreement signed in October 2015 by the former associate of Saipem do Brasil – who, with such agreement committed himself to substantiating with evidence some of the statements made – had ceased. The Attorney General noted in particular that attempts to substantiate such statements had not been successful, the reason why the content of the statements contained in the additional agreement had not been maintained confidential. At the hearing on June 9, 2017, the depositions of the three defendants were obtained, among them the former associate of Saipem do Brasil and a former Petrobras official.
Saipem do Brasil's former associate, with regard to the theft of 100,000 Brazilian reals (approximately €26,000) in October 2011, said that money was needed to pay the costs of real estate for a company he was managing on behalf of a third party vis-à-vis Saipem (that is, the former Petrobras official charged in the same proceeding who confirmed that statement).

The former Saipem do Brasil associate also stated that the Saipem Group did not pay any bribes because Saipem's compliance system prevented this from happening. That statement was confirmed by the former Petrobras official charged in the same proceeding. The former associate of Saipem do Brasil and the former Petrobras official charged in the same proceeding, while offering a reconstruction of the facts which was partially different, reported, that the possibility of some inappropriate payments was discussed with reference to certain contracts of Saipem do Brasil but in any case no payment was made by the Saipem Group. The former Saipem do Brasil associate and the former Petrobras official charged in the same proceeding stated that the contracts awarded by the client to the Saipem Group were won through regular bidding procedures. The proceedings in Brazil against the former associate of Saipem do Brasil and another two defendants has not yet ended with a final ruling. During the proceedings against the former associate of Saipem do Brasil, no evidence of irregularities emerged in the management of tenders assigned by Petrobras to Saipem Group and/or evidence of illegal payments by Saipem Group in relation to tenders assigned by Petrobras to Saipem Group and/or evidence of damages suffered by Petrobras in relation to tenders assigned to Saipem Group. Saipem Group has not been involved in this proceeding.
The audit that was concluded in 2016 was relaunched with the support of the same third-party consultant used earlier and with the same methodology in order to analyse some of the information mentioned during the depositions of June 9, 2017.
The audit report, issued on July 18, 2018, confirmed the absence of communications or documents relating to transactions and/or financial movements between companies of the Saipem Group and the personnel of Petrobras under investigation.
With the press release dated May 30, 2019, Saipem SpA has informed as follows:
*"Saipem: notification of administrative proceedings in Brazil to the subsidiaries Saipem SA and Saipem do Brasil in relation to a contract awarded in 2011.*
*San Donato Milanese (Milan), May 30, 2019 - Saipem SpA informs that today its French subsidiary Saipem SA and its Brazilian subsidiary Saipem do Brasil were notified by the competent Brazilian administrative authority (Controladoria-Geral da União through the Corregedoria-Geral da União) about the opening of administrative proceedings with respect to alleged irregularities in relation to the award by the Brazilian oil company Petrobras, as leader of the "Consortium BMS 11", in December 2011, of the contract (whose value was equal to about Brazilian Real 249 million, currently equivalent to about €56 million) for the installation of the underwater gas pipeline connecting the Lula and Cernambi fields in Santos Basin.*
*Saipem SA and Saipem do Brasil will cooperate in the administrative proceedings by providing all the clarifications requested by the competent administrative authority and have confidence in the correctness of the award of the above-mentioned contract and in the absence of circumstances to affirm the administrative liability of the companies".*
As part of the aforementioned administrative proceedings, on June 21, 2019, Saipem do Brasil and Saipem SA presented their initial defence statements before the competent administrative authority (Controladoria-Geral da União through Corregedoria-Geral da União).
With a communication dated August 21, 2019, the competent administrative authority (Controladoria-Geral da União through Corregedoria-Geral da União) informed Saipem do Brasil and Saipem SA that, following the preliminary investigation carried out up to that moment, the administrative procedure has not been closed and invited Saipem do Brasil and Saipem SA to present further defence statements by September 20, 2019.
Saipem do Brasil and Saipem SA submitted their defence statements by the set deadline. On April 24, 2020, the competent Brazilian Administrative Authority (Controladoria-Geral da União through the Corregedoria-Geral da União) ordered a 180-day postponement for the conclusion of the administrative procedure.
On November 30, 2020, Saipem SA and Saipem do Brasil submitted further defence statements before the Brazilian Administrative Authority (Controladoria-Geral da União through the Corregedoria-Geral da União).
The administrative proceeding is still ongoing.
On June 8, 2020, the Brazilian Federal Prosecutor's Office issued a press release informing of a new charge against a former president of Saipem do Brasil, who left the Saipem Group on December 30, 2009. The charge concerns alleged episodes of corruption and money laundering that allegedly occurred between 2006 and 2011 in relation to two contracts awarded by Petrobras Group companies to Saipem Group companies (the Mexilhao contract signed in 2006 and the Uruguà-Mexilhao contract signed in 2008).
The new charge was made only against individuals (not Saipem Group companies) and involves, in addition to the former president of Saipem do Brasil, some former Petrobras officials.
On July 6, 2020, the Brazilian Federal Court of Curitiba accepted the charge filed by the Brazilian Federal Prosecutor against the former president of Saipem do Brasil (who left the company on December 30, 2009) and a former official of Petrobras, against whom a criminal proceeding will be started in Brazil. Petrobras was admitted as plaintiff ("Assistente do Ministerio Publico") in the same proceeding against the two accused persons. No company of the Saipem Group is party to this proceeding.

#### PRELIMINARY INVESTIGATIONS IN PROGRESS - PUBLIC PROSECUTOR'S OFFICE AT THE COURT OF MILAN - IRAQ

On August 2, 2018, the Public Prosecutor of the Court of Milan notified Saipem SpA of a request for documents relating to previous activities (2010-2014) of Saipem Group in Iraq and in particular to relations with the Unaoil group. The request also contains information that – with regard to these past activities – Saipem SpA is subject to investigations for international corruption. In January 2019, the US Department of Justice, which claimed to have an ongoing investigation into the activities and relations of Unaoil for some time and to be aware of a pending investigation in Italy against Saipem SpA by the Public Prosecutor's Office of Milan, asked Saipem if it would be willing to provide "voluntary production" of documents relating to previous activities of Saipem Group in Iraq with the involvement of Unaoil and, more in general, the previous between Saipem and the Unaoil Group. Saipem has confirmed that it is willing to provide such "voluntary production". The "voluntary production" is without prejudice to any question concerning possible US jurisdiction, an aspect for which the US Department of Justice has not indicated at the moment any supporting evidence, asking only for Saipem to cooperate in the assessments that the US Department of Justice has under way. Within the context of the aforementioned "voluntary production", Saipem SpA in March 2019, through its US lawyers, delivered to the US Department of Justice the files delivered in 2018 to the Milan Public Prosecutor's Office in order to fulfil the above-mentioned request for documents received on August 2, 2018.

### ENIPOWER

As part of the inquiries commenced by the Milan Public Prosecutor (criminal proceedings 2460/2003 R.G.N.R. pending at the Milan Public Prosecutor's office) into contracts awarded by EniPower to various companies, Snamprogetti SpA (now Saipem SpA as engineering and procurement services contractor), together with other parties, were served a notice informing them that they were under investigation, pursuant to Article 25 of Legislative Decree No. 231/2001. Preliminary investigations ended in August 2007, with a favourable outcome for Snamprogetti SpA, which was not included among the parties still under investigation for whom committals for trial were requested. Snamprogetti subsequently brought proceedings against the physical and legal persons implicated in transactions relating to the Company and reached settlements with a number of parties that requested the application of settlement procedures. Following the conclusion of the preliminary hearing, criminal proceedings continued against former employees of the above companies, as well as against employees and managers of a number of their suppliers, pursuant to Legislative Decree No. 231/2001. Eni SpA, EniPower SpA and Snamprogetti SpA presented themselves as plaintiffs in the preliminary hearing. In the preliminary hearing related to the main proceeding of April 27, 2009, the judge for the preliminary hearing requested that all parties that did not request the application of plea agreements stand trial, with the exception of several parties for whom the statute of limitations now applied. In the hearing of March 2, 2010, the Court confirmed the admission as plaintiffs of Eni SpA, EniPower SpA and Saipem SpA against the defendants under the provisions of Legislative Decree No. 231/2001. The defendants of the other companies involved were also sued. Subsequently, at the hearing of September 20, 2011, sentence was passed which included several convictions and acquittals for numerous physical and legal defendants, the latter being deemed responsible for unlawful administrative acts, with fines being imposed and value confiscation for significant sums ordered. The Court likewise rejected the admission as plaintiffs of the parties accused of unlawful administrative acts pursuant to Legislative Decree No. 231/2001. The convicted parties challenged the above ruling within the set deadline. On October 24, 2013, the Milan Court of Appeal essentially confirmed the first instance ruling, which it modified only partially in relation to a number of physical persons, against whom it dismissed the charges, ruling that they had expired under the statute of limitations. The accused parties have filed an appeal with the Court of Cassation. On November 10, 2015, Criminal Section VI of the Supreme Court, in its ruling on the appeals lodged by the parties against the ruling of the Milan Court of Appeal, set aside the challenged ruling regarding legal persons, and the civil law rulings regarding physical persons and deferred a new ruling to another section of the Milan Court of Appeal which set the court date for November 28, 2017. At the hearing of November 28, 2017, the Court of Appeal, ruling at the time of postponement by the Court of Cassation, upheld the first instance judgement, partially modifying it, excluding the liability of two legal persons and declaring that it would not proceed against a defendant who had, the meantime, died, confirming the rest of the sentence by the Court of Appeal which was not subject to annulment by the Court of Cassation.
On July 17, 2018, the Court of Appeal of Milan file the second degree ruling essentially leaving the decision-making apparatus of the contested sentence unchanged, thus confirming the decisions of the Milan Court of Appeal of October 24, 2013, also in relation to the plaintiffs. The Court of Appeal of Milan has reversed the decision of the sentence under appeal limited to only two legal persons for whom liability has been excluded and to one natural person for whom the offence was extinguished.
Some parts of the trial were appealed to the Court of Cassation.
On November 6, 2019, the Court of Cassation ruled on the appeal lodged by some parties in the trial, partially upholding the appeal in relation to only one legal person, and simultaneously transferring the relevant decision to the Court of Appeal of Milan.
The Court of Cassation rejected the appeal filed by the other applicants, leaving the sentence of the Milan Court of Appeal of July 17, 2018 unchanged. The ruling of the Court of Cassation was filed on December 16, 2019.

### FOS CAVAOU

With regard to the Fos Cavaou ("FOS") project for the construction of a regasification terminal, the client Société du Terminal Méthanier de Fos Cavaou ("STMFC", now Fosmax LNG) in January 2012 commenced arbitration proceedings before the International Chamber of Commerce in Paris ("Paris ICC") against the contractor STS [a French "société en participation" made up of Saipem SA (50%), Tecnimont SpA (49%) and Sofregaz SA (1%)]. On July 11, 2011, the parties signed a mediation memorandum pursuant to the rules of Conciliation and Arbitration of the Paris ICC. The mediation procedure ended on December 31, 2011 without agreement having been reached, because Fosmax LNG refused to extend the deadline.
The brief filed by Fosmax LNG in support of its request for arbitration included a demand for payment of approximately €264 million for damages allegedly suffered, penalties for delays and costs for the completion of works ("mise en régie"). Of the total sum demanded, approximately €142 million was for loss of profit, an item excluded from the contract except for cases of wilful misconduct or gross negligence. STS filed its defence brief, including a counterclaim for compensation for damage due to excessive interference by Fosmax LNG in the execution of the works and for the payment of extra work not approved by the client (and reserving the right to quantify the amount as the arbitration proceeds). On October 19, 2012, Fosmax LNG lodged a "Mémoire en demande". Against this, STS lodged its own Statement of Defence on January 28, 2013, in which it filed a counterclaim for €338 million. The final hearing was held on April 1, 2014. On the basis of the award issued by the Arbitration Panel on February 13, 2015, Fosmax LNG paid STS the sum of €84,349,554.92, including interest on April 30, 2015. 50% of this amount is due to Saipem SA. On June 26, 2015, Fosmax LNG challenged the award before the French Conseil d'Etat, requesting its annulment on the alleged basis that the Arbitration Panel had erroneously applied private law to the matter instead of public law. On November 18, 2015 a hearing was held before the Conseil d'Etat. Subsequently to the submission of the Rapporteur Public, the judges concluded the discussion phase. The Rapporteur requested a referral to the Tribunal des Conflits. With its judgement of April 11, 2016, the Tribunal des Conflits held that the Conseil d'Etat had jurisdiction for deciding on the dispute regarding the appeal to overrule the arbitration award of February 13, 2015. On October 21, 2016, a hearing was held before the Conseil d'Etat and on November 9, the latter issued its own ruling, with which it partially nullified the award of February 13, 2015 for only the mise

en régie costs (quantified by Fosmax in €36,359,758), stating that Fosmax should have relinquished such costs back to an arbitration tribunal, unless otherwise agreed by the parties.
Parallel with the aforementioned appeal before the Conseil d'Etat, on August 18, 2015, Fosmax LNG also filed an appeal with the Court of Appeal of Paris to obtain the annulment of the award and/or the declaration of nullity of the relevant exequatur, the enforceability of which had been recognised and of which Fosmax had been notified on July 24, 2015. On February 21, 2017, the Court of Appeal declared itself incompetent to decide on the annulment of the award and stated that it would postpone the subsequent decision on the alleged nullity of the exequatur. On July 4, 2017, the Court annulled the exequatur issued by the President of the Tribunal de grande instance and sentenced STS to pay the costs (€10,000) of the proceeding in favour of Fosmax.
On June 21, 2017, Fosmax notified Sofregaz, Tecnimont SpA and Saipem SA, of a request for arbitration, requesting that the aforementioned companies (as members of the société en partecipation STS) be jointly and severally condemned to pay the mise en régie costs as quantified above beyond delays and legal fees. The Arbitration Tribunal was officially constituted on January 19, 2018 when the Chairman was confirmed and, in accordance with the calendar agreed between the Parties, on April 13, 2018 Fosmax filed its Mémoire en demande in which it detailed its demands at €35,926,872 in addition to interest for late payments of approximately €4.2 million. STS filed its brief and response on July 13, 2018, with which it has made the counter-claim that Fosmax be ordered to pay €2,155,239 in addition to interest for loss of profit and €5,000,000 for non-material damage.
Hearings were held from February 25 to February 27, 2019 and the award was communicated to the lawyers of the parties on July 3, 2020. The Arbitration Tribunal fully rejected the counterclaims made by the STS members and sentenced them, jointly and severally, to pay Fosmax: (i) €31,966,704 for "en règie" works made by Fosmax; (ii) default interest on the aforementioned amount at the annual rate EURIBOR 1 month plus two basis points, starting from the 45th day from the issue of the accepted invoices and up to complete payment; (iii) USD 204,400 as a partial refund of the advance paid by Fosmax for the costs of the arbitration procedure; and (iv) €1,343,657 as compensation for legal defence costs. With an addendum to the award, the Arbitral Tribunal provided some clarification on the application of the default interest.
On July 30, 2020, Saipem SA paid Fosmax its share of the principal capital of the award, equal to €16,744,610. Tecnimont has not yet paid its share and has communicated that it has challenged the award. Saipem is not part of this process.
By letter dated November 16, 2020, Fosmax's defence jointly notified Tecnimont SpA and Saipem SA to pay the outstanding part of the award within 15 days, quantifying the interest and VAT at €11,374,761. However, they have not disclosed the methods used to calculate interest and apply VAT and this matter is under discussion between the parties. Saipem SA, on November 25, 2020, asked Tecnimont SpA to hold Saipem SA harmless from payment for the part of the award (50%) pertaining to Tecnimont SpA itself.

#### COURT OF CASSATION - CONSOB RESOLUTION NO. 18949 OF JUNE 18, 2014 - ACTIONS FOR DAMAGES

**Preliminary hearings in Milan:** with the measure adopted with Resolution No. 18949 of June 18, 2014, Consob decided to apply a monetary fine of €80,000 to Saipem SpA for an alleged delay in the issuing of the profit warning issued by the company on January 29, 2013 and, "with a view to completing the preliminary investigation", to transmit a copy of the adopted disciplinary measure to the Public Prosecutor's office at the Court of Milan. On March 12, 2018, the Public Prosecutor's Office at the Court of Milan – at the end of its investigations – notified Saipem SpA of the "Notice to the person under investigation of the conclusion of the preliminary investigations" with reference to the hypothesis of an administrative offence referred to in Articles 5, 6, 7, 8, 25-*ter*, lett. b) and 25-*sexies* of Legislative Decree No. 231/2001, allegedly committed until April 30, 2013 *"for not having prepared an organisational model suitable to prevent the completion"* of the following alleged offences:

(i) offence pursuant to Article 185 of Legislative Decree No. 58/1998 (in conjunction with Article 114 of Legislative Decree No. 58/1998 and Article 68, paragraph 2, of the Issuers Regulation), allegedly committed on October 24, 2012, with reference to the press release published for the approval of the quarterly report at September 30, 2012 by Saipem SpA and the related conference call of October 24, 2012 with external analysts;
(ii) offence pursuant to Article 2622 of the civil code (continuing illegal offence with Article 2622, paragraphs 1, 3 and 4, old civil code formulation was in force at the time of the facts), allegedly committed on April 30, 2013, with reference to the 2012 consolidated and statutory financial statements of Saipem SpA approved by the Board of Directors on March 13, 2013 and by the Shareholders' Meeting on April 30, 2014;
(iii) offence pursuant to Article 185 of Legislative Decree No. 58/1998, allegedly committed from March 13, 2013 to April 30, 2013, with reference to press releases issued to the public regarding the approval of the 2012 consolidated and statutory financial statements of Saipem SpA.

In addition to the Company, the following physical persons were also investigated in relation to the same allegations as those above:

- for the alleged crime under (i): the two Chief Executive Officers and the Chief Operating Officer of the Engineering & Construction Business Unit of Saipem SpA in office at the date of the press release of October 24, 2012, as they *"through the press release dated October 24, 2012 issued on the occasion of the approval by the Board of Directors of the quarterly report as at September 30, 2012 and during the related conference call..., they spread false news – which was incomplete and reticent – concerning the economic and financial situation of Saipem SpA, ..., capable of causing a significant alteration of the price of its ordinary shares"*; and
- for the alleged crimes under (ii) and (iii): the Chief Executive Officer and the Officer responsible for financial reporting, who was in office at the date of approval of the 2012 consolidated and statutory financial statements of Saipem SpA as they:
  in relation to the alleged offence (ii), they would have *"disclosed in the consolidated and statutory financial statements of Saipem SpA, approved by the Board of Directors and by the Shareholders' Meeting on March 13, 2013 and April 30, 2013, material facts that do not correspond to the truth, although subject to evaluation, as well as the omission of information on the economic, asset and financial situation of Saipem SpA, the reporting of which is required by law, ..., and, in particular:*

- *in contrast to the provisions of paragraphs 14, 16, 17, 21, 23, 25, 26 and 28 of IAS 11, no extra costs related to delays in the execution of activities and late penalties were recorded in the costs for the entire lifespan of the project, ... for a total of €245 million:*

*and the effect was:*

1) *they recorded higher revenue of €245 million in the income statement compared to the amount accrued, on the basis of a state of economic progress that did not consider the extra costs described above in the costs for the lifespan of the project, in contrast with paragraphs 25, 26 and 30 of IAS 11;*
2) *they omitted to record the expected loss of the same amount ... as the cost of the year, in contrast with paragraph 36 of IAS 11, thus recording an operating result higher than the pre-tax profit of €1,349 million in the income statement, in place of the actual operating result of €1,106 million, and a higher than realistic shareholders' equity of €17,195 million, instead of the actual shareholders' equity of €16,959 million...".*

In relation to the alleged offence (iii), *"with the aforementioned press releases, they spread the news of the approval of the 2012 consolidated and statutory financial statements of Saipem SpA, in which material facts that did not correspond to the truth were disclosed, and more specifically revenue higher than actual revenue for €245 million and an EBIT higher than reality for the corresponding amount, ...".*

On April 11, 2018, Saipem SpA received the notice of hearing set for October 16, 2018, together with the request for indictment against Saipem SpA formulated on April 6, 2018 by the Public Prosecutor.
On October 16, 2018, the trial began before the Judge for the Preliminary Hearing in Milan during which two individuals were presented as plaintiffs.
At the hearing of January 8, 2019, the Judge for the Preliminary Hearing granted the establishment of a civil suit against the accused individuals and rejected the second request for the constitution of a civil suit against all the defendants. No civil suit has been granted against Saipem SpA.
Following the discussions of the parties and the Public Prosecutor, the Judge for the Preliminary Hearing postponed the case to March 1, 2019.
At the hearing of March 1, 2019, the Judge for the Preliminary Hearing ordered the committal for trial of Saipem SpA with reference to the charge of an administrative offence pursuant to Articles 5, 6, 7, 8, 25-*ter*, letter b) and 25-*sexies* of Legislative Decree No. 231/2001, allegedly committed until April 30, 2013 *"for failing to provide a suitable organisational model to prevent criminal acts"* with regard to the following alleged crimes: (i) offence pursuant to Article 2622 of the Civil Code ("false accounting"), allegedly committed on April 30, 2013, with reference to the 2012 consolidated and statutory financial statements of Saipem SpA; and (ii) offence pursuant to Article 185 of Legislative Decree No. 58/1998 ("manipulation of the market"), allegedly committed from March 13, 2013 to April 30, 2013, with reference to press releases issued to the public regarding the approval of the 2012 consolidated and statutory financial statements of Saipem SpA.
The Judge for the Preliminary Hearing ruled in favour of Saipem SpA, because the statute of limitations had passed regarding the charge of an administrative offence pursuant to Articles 5, 6, 7, 8, 25-*ter*, letter b) and 25-*sexies* of Legislative Decree No. 231/2001, *"for failing to provide a suitable organisational model to prevent criminal acts"* with regard to the following alleged crime: (iii) offence pursuant to Article 185 of Legislative Decree No. 58/1998 ("manipulation of the market"), allegedly committed on October 24, 2012, with reference to the press release published for the approval of the quarterly report as at September 30, 2012 by Saipem SpA and the related conference call of October 24, 2012.
The Judge for the Preliminary Hearing ordered the committal for trial of the following individuals: (a) for the alleged crimes under (i) and (ii): the Chief Executive Officer and the Officer responsible for financial reporting who was in office at the date of approval of the 2012 consolidated and statutory financial statements of Saipem SpA; (b) for the alleged crime under (iii): the Chief Executive Officer and the Chief Operating Officer of the Engineering & Construction Business Unit of Saipem SpA in office at the date of the press release of October 24, 2012.
All individuals committed for trial by the Judge of the Preliminary Hearing of Milan have long since left the Company.
On May 23, 2019, the first instance proceedings began before the Criminal Court of Milan (R.G.N.R. 5951/2019). The hearing was postponed on June 4, 2019 as the first instance proceedings were assigned to a new section of the Criminal Court of Milan. On June 4, 2019, after the formalities of the first hearing including the filing of the requests for the admission as plaintiffs by some parties, the Court adjourned the proceedings to the September 26, 2019 hearing, in order to allow the parties to better understand the terms and the conditions of the requests for the admission as plaintiffs and the requests to summon Saipem SpA as the civilly liable party ("responsabile civile"). At the hearing scheduled on September 26, 2019, the Court has merely postponed the ruling on the requests for the admission as plaintiffs and on the requests to summon Saipem SpA as the civilly liable party ("responsabile civile") to a hearing on October 17, 2019. The requests for the admission as plaintiffs have been proposed by more than 700 private investors. The overall amount referred to in the requests has not been determined.
At the hearing of October 17, 2019, at the request of the plaintiffs, the Court ordered the summons of Saipem SpA as the civilly liable party at the hearing of December 12, 2019.
At the hearing of December 12, 2019, Saipem SpA was admitted as the civilly liable party in the proceedings.
The Court also invited the parties to formulate their preliminary statements.
The Public Prosecutor and the lawyers of the other parties and of Saipem SpA have requested the admission of witnesses indicated in their lists. The proceeding is ongoing and the next hearings are scheduled to take place on April 8, May 6 and 13, 2021.
On July 28, 2014, Saipem SpA lodged an appeal at the Court of Appeal of Milan against the above mentioned Consob Resolution No. 18949 dated June 18, 2014 to impose a monetary fine. By decree filed on December 11, 2014, the Court of Appeal of Milan rejected the opposition made by Saipem SpA which then appealed to the Court of Cassation against the Decree issued by the Court of Appeal of Milan. The appeal was discussed on November 7, 2017. On February 14, 2018, the Court of Cassation filed its decision rejecting Saipem's petition on the grounds of the *"absolute uniqueness of the situation... concerning the interpretation of the phrase "without delay" in the text of the paragraph 1 of Article 114 TUF"* and condemning each party to bear its legal costs for the proceedings.

**Current legal proceedings:** on April 28, 2015, a number of foreign institutional investors initiated legal action against Saipem SpA before the Court of Milan, seeking judgement against the Company for the compensation of alleged loss and damage (quantified in about €174 million), in relation to investments in Saipem shares which the claimants alleged that they had made on the secondary market. In particular, the claimants sought judgement against Saipem requiring the latter to pay compensation for alleged loss and damage which purportedly derived from the following: (i) with regard to the main claim, from the communication of information alleged to be "imprecise" over the period from February 13, 2012 and June 14, 2013; or (ii) alternatively, from the allegedly "delayed" notice, only made on January 29, 2013, with the first "profit warning" (the so-called "First Notice") of privileged information which would have been in the Company's possession from July 31, 2012 (or such other date to be established during the proceedings, identified by the claimants, as a further alternative, on October 24, 2012, December 5, 2012, December 19, 2012 or January 14, 2013), together with information which was allegedly "incomplete and imprecise" disclosed to the public over the period from January 30, 2013 to June 14, 2013, the date of the second "profit warning" (the so-called "Second Notice"). Saipem SpA appeared in court, case number R.G. 28789/2015, fully disputing the adverse party's requests, challenging their admissibility and, in any case, their lack of grounds.
As per the order made by the Judge at the hearing of May 31, 2017, the parties proceeded to deposit the briefs referred to in Article 183, paragraph 6, c.p.c. (Civil Procedure Code). With the same order, the Court set a hearing for February 1, 2018 for the possible admission of the evidence.
With the same order of May 31, 2017, the Court ordered the separation of the judgement for five of the parties involved in the proceedings and this separate proceeding – number R.G. 28177/2017 – was discontinued pursuant to Article 181 of the Italian Civil Procedure Code on November 7, 2017.
At the hearing on February 1, 2018, the Judge, by order dated February 2, 2018, postponed the proceeding to the hearing of July 19, 2018. pursuant to Article 187, paragraph 2, c.p.c. During the hearing, after the parties clarified the conclusions, the judge assigned said parties the deadline for filing the final briefs and the replies.
On October 2, 2018, Saipem filed the final brief and on October 22, 2018 Saipem filed the reply.
On November 9, 2018, the Court filed the first instance ruling No. 11357, rejecting the merit of the request by the parties. The Court has indeed ruled that there is lack of evidence of ownership of Saipem shares by said actors in the period indicated above and has condemned them to pay €100,000 in favour of Saipem, by way of reimbursement of legal expenses.
On December 31, 2018, the institutional investors challenged the aforementioned sentence before the Court of Appeal of Milan, requesting that Saipem be ordered to pay approximately €169 million. The first hearing before the Court of Appeal of Milan was held on May 22, 2019. The Appeal's Judge adjourned the hearing to July 15, 2020, for the parties to file their final conclusions.
At the hearing of July 15, 2020, the parties clarified their respective conclusions and the Court of Appeal fixed the terms of October 14, 2020 for filing their final conclusions and of November 3, 2020 for filing their replies.
The Court of Appeal, with an order issued on November 16, 2020, requested the remittal by parties of the translation of some documents to be filed at an ad-hoc hearing set for January 20, 2021.
At the hearing on January 20, 2021, the Judge, after verifying the filing of the required documents, set a new hearing for February 10, 2021. At that hearing, the case was held in decision without terms for further conclusive statements. On February 23, 2021, the Judge ordered an integrative evidence phase which is ongoing.
With a writ of summons dated December 4, 2017, twenty-seven corporate investors took legal action before the Court of Milan - section specialised in the field of corporate law, against Saipem SpA. and two former Chief Executive Officers of said company, requesting that they are jointly condemned to pay compensation (with respect to the two former members of the company, limited to their periods of stay in office) for compensation for damages, material and non-material, allegedly suffered due to an alleged manipulation of information released to the market during the period between January 2007 and June 2013.
Saipem SpA's liability was calculated pursuant to Article 1218 of the Civil Code (contractual liability) or pursuant to Article 2043 of the Civil Code (non-contractual liability) or, pursuant to Article 2049 of the Civil Code (owner and client liability) for the illegal conduct committed by the two former company representatives.
Damages were not initially quantified by the investors, who reserved the right to quantify damages during the trial.
The Company appeared in court to contest the claims in full, pleading inadmissibility and in any case the groundlessness in fact and in law.
On June 5, 2018, the first hearing was held. In this hearing the judge assigned terms for evidence pleadings, reserving judgement until said pleadings could be examined.
The parties proceeded to deposit the pleadings referred to in Article 183, paragraph 6, c.p.c. In the evidence pleading pursuant to Article 183, paragraph 6, No. 1, c.p.c., the plaintiffs provided for the quantification of damages allegedly suffered in the amount of approximately €139 million. In its evidence pleading, Saipem and the other defendants remarked, in particular, on the lack of evidence regarding the acquisition of Saipem shares on the secondary markets by the plaintiffs. Therefore, due to this lack of evidence from the plaintiffs, all the defendants asked the Court to set a hearing to clarify the conclusions pursuant to Article 187 c.p.c. One of the plaintiffs by filing its pleading pursuant Article 183, paragraph 6, n. 3, declared to waive the action pursuant to Article 306 c.p.c.
On November 9, 2018, the Company filed sentence No. 11357 issued by the Court of Milan on November 9, 2018 at the outcome of case R.G. No. 28789/2015, as this provision decided the same preliminary issues of merit raised by Saipem and the other defendants in the case under consideration, in particular with reference to the failed proof of purchase of Saipem shares.
On November 9, 2019, Saipem SpA produced in the proceedings the order of the Criminal Court of Milan dated October 17, 2019, with reference to the pending criminal judgment R.G.N.R. 5951/2019, which declared inadmissible in this case the civil suit brought by approximately 700 civil parties.
In a note dated October 23, 2019, the plaintiffs filed an application with the judge to authorise the filing of a pro veritate opinion in relation to Saipem's filing of November 9, 2018.

With note dated October 25, 2019, Saipem SpA has challenged the inadmissibility of the filing of the aforementioned opinion brought by the plaintiffs.
The Court set the hearing for the parties' clarification of their conclusions on November 3, 2020, having deemed it necessary to remit the decision on all questions and exceptions made by the parties to the Court.
The hearing of November 3, 2020 was postponed to February 9, 2021 with the written discussion of the case.
At the hearing on February 9, 2021, the Judge held the case in decision, setting the legal terms for the filing of the final statements and the replies on April 9 and 29, 2021 respectively.
**Demands for out-of-court settlement and mediation proceedings:** with regard to the alleged delays in providing information to the markets, over 2015, 2016, 2017, 2018, 2019, 2020 and in the first months of 2021, Saipem SpA received a number of out-of-court demands and mediation applications.
As far as the out-of-court claims are concerned, the following have been made: (i) in April 2015 by 48 institutional investors acting on their own behalf and/or on behalf of the funds managed by them respectively amounting to about €291.9 million, without specifying the value of the claims made by each investor/fund (subsequently, 21 of these institutional investors, together with a further 8 presented applications for mediation for a total amount of about €159 million; 5 of these institutional investors together with another 5, presented applications for mediation in relation to the total amount of about €21.9 million); (ii) in September 2015 by 9 institutional investors acting on their own behalf and/or for the funds managed by them respectively for a total amount of about €21.5 million, without specifying the value of the claims for compensation made by each investor/fund (subsequently 5 of these institutional investors together with another 5, made an application for mediation for a total amount of about €21.9 million); (iii) over 2015 by two private investors amounting respectively to about €37,000 and €87,500; (iv) during the month of July 2017 from some institutional investors for approximately €30 million; (v) on December 4, 2017, by 141 institutional investors for an unspecified amount (136 of these investors on June 12, 2018 renewed their out-of-court request, again for an unspecified amount); (vi) on April 12, 2018 for about €150-200 thousand by a private investor; (vii) on July 3, 2018 by a private investor for about €330,000; (viii) on October 25, 2018 for about €8,800 by a private investor; (ix) on November 2, 2018 for about €48,000 by a private investor; (x) on May 22, 2019 for about €53,000 by a private investor; (xi) on June 3, 2019 for an unspecified amount by a private investor; (xii) on June 5, 2019, for an unspecified amount by two private investors; (xiii) in February 2020 by a private investor for damages of €1,538,580; (xiv) in March 2020 by two private investors who did not indicate the value of their claims for compensation; (xv) in April 2020 by two private investors who have not indicated the value of their claims for compensation and by a private investor claiming alleged damages of approximately €40,000; (xvi) in May 2020 by a private investor who did not indicate the value of the claimed compensation; (xvii) in June 2020 by a private investor who did not indicate the value of the claimed compensation; (xviii) in June 2020 by twenty-three private investors who did not indicate the value of their claim for compensation; (xix) in July 2020 by eighteen investors claiming damages of approximately €22.4 million; (xx) in July 2020 by thirty-four private investors who did not indicate the value of their claim for compensation; (xxi) in August 2020 (a) by four private investors who did not indicate the value of their claim for compensation (b) by three institutional investors, on their own behalf and/or on behalf of the funds they manage, for an amount of approximately €7.5 million; (xxii) in September 2020, by ten private investors who did not state the value of their claim; (xxiii) in October 2020, (a) by twelve private investors who have not indicated the value of their claim, (b) by one private investor, who claims damages to the value of €113,810, (c) by six-hundred and forty-four associated private investors, who have not indicated the value of their claim and (d) by three institutional investors, on their own behalf and/or on behalf of the funds they manage, for a total amount of €115,000; (xxiv) in November 2020 (a) by eleven private investors, who have not indicated the value of their claim (b) by two institutional investors, on their own behalf and/or on behalf of the funds they manage, for an amount of approximately €166,000; (xxv) in December 2020, by ten private investors who have not indicated the value of their claim and by one private investor, who claims to have suffered damages of €234,724; (xxvi) in January 2021, by four private investors who have not indicated the value of their claim; (xxvii) in March 2021, (a) by three investors who have not indicated the value of their claims and (b) by five associated private investors, who have not indicated the value of their claim.
Those applications where mediation has been attempted, but with no positive outcome, involve seven main demands: (a) in April 2015 by 7 institutional investors acting on their own behalf and/or for the funds managed by them, in relation to about €34 million; (b) in September 2015 by 29 institutional investors on their own behalf and/or for the funds managed by them respectively, for a total amount of about €159 million (21 of these investors, together with another 27, submitted out-of-court demands in April 2015, complaining that they had suffered loss and damage for a total amount of about €291 million without specifying the value of the claims for compensation for each investor/fund); (c) in December 2015 by a private investor in the amount of about €200,000; (d) in March 2016 by 10 institutional investors on their own behalf and/or for the funds managed by each respectively, for a total amount of about €21.9 million (5 of these investors together with another 4 had presented out-of-court applications in September 2015, complaining they had suffered loss and damage for a total amount of about €21.5 million without specifying the value of the compensation sought by each investor/fund. Another 5 of these investors, together with a further 43, had presented out-of-court applications in April 2015 alleging they had suffered loss and damage for an amount of about €159 million without specifying the value of the compensation sought by each investor/fund); (e) by a private investor in April 2017 for approximately €40,000; (f) in 2018-2019 by a private investor for approximately €48,000; (g) in December 2020, by a private investor who started the mediation, requesting compensation for an unspecified value. Saipem SpA verified the aforementioned requests for out-of-court claims and mediation and found them to be groundless and denying all liability. At the date of approval of the Annual Financial Report 2020 by the Board of Directors, the aforementioned demands for out-of-court settlements and/or mediation were not subject to legal action, except for the matters specified above in relation to the two cases pending before the Court of Milan and the Court of Appeal of Milan, for another case with a value of €3 million in which Saipem was summoned in the course of 2018 by the defendant in court and (for which the claim against Saipem has been rejected by the Court in the first instance and is currently awaiting judgment before the Court of Appeal), for another pending case with a claim value of approximately €40,000 and for another case just notified to Saipem with a claim value of €200,000.

### DISPUTE WITH HUSKY - SUNRISE ENERGY PROJECT IN CANADA

On November 15, 2010, Saipem Canada Inc ("Saipem") and Husky Oil Operations Ltd ("Husky") (the latter on behalf of the Sunrise Oil Sands Partnership formed by BP Canada Energy Group ULC and Husky Oil Sands Partnership, in turn formed by Husky Oil Operations Ltd and HOI Resources Ltd), signed an Engineering, Procurement and Construction contract No. SR-071 (the "Contract"), prevalently on a reimbursable basis, relating to the project called Sunrise Energy (the "Project").
During the execution of the works, the parties agreed several times to modify the contractual payment formula. Specifically: (i) in October 2012, the parties established that the works were to be paid for on a lump-sum basis, agreeing the amount of CAD 1.3 billion (approximately €849 million) as contract price; (ii) subsequently, in early 2013, an incentive system was agreed that provided for Saipem's right to receive additional payments upon achieving certain objectives; (iii) starting from April 2014, the parties entered into numerous written agreements whereby Husky accepted to reimburse Saipem for the costs incurred in excess of the lump sum amount previously agreed, thus determining, according to Saipem, a contract change from lump sum to reimbursable. As the end of the works approached, however, Husky stopped paying what it owed as reimbursement and, in March 2015, finally terminated the Contract, claiming that Saipem had not complied with the contractual deadline for conclusion of the works.
In light of the above, on March 16, 2015 Saipem took legal action citing Husky, the aforesaid partnerships and the related members before the Court of Queen's Bench of Alberta, requesting, among other things, that the court declare the illegitimacy of the termination of the Contract by Husky and sentence it to the payment of: (i) more than CAD 800 million (approximately €522 million) for damages that include the payments not made on a reimbursable basis, damages resulting from the termination of the contract, lost profits and the unjustified enrichment of Husky at the expense of Saipem; or, alternatively, (ii) the market value of the services, materials and financing rendered.
In September 2015, Husky notified Saipem of a Request for Arbitration (Alberta Arbitration Act), affirming that, as a result of the reduction of the scope of work requested by Husky, the contractual lump sum price agreed with Saipem should be reduced proportionally on the basis of a specific contractual provision in this sense. On the basis of this, Husky asked that Saipem be ordered to pay the related value, quantifying this claim as CAD 45,684,000 (approximately €29.8 million).
On October 6, 2015, Husky sued Saipem in the Court of Queen's Bench of Alberta, claiming, among other things: (i) that the payments it had made to Saipem, which were in excess of the lump sum amount agreed between the parties, were justified by Saipem's alleged threats to abandon the works if such additional payments were not made (economic duress); and (ii) that even after the execution of such payments, the performances of Saipem did not improve, forcing Husky to terminate the contract and complete the works on its own. As a result, Husky asked the Canadian court to order Saipem to pay CAD 1.325 billion (approximately €865 million) for alleged damages, an amount that includes, among other things: (i) payments in excess with respect to the agreed lump sum price; (ii) costs to complete the works following termination of the contract; (iii) damages for lost profits and the penalty for alleged delay in completion of the Project.
In the hearing of January 14, 2016, Saipem requested that the pending proceedings be heard jointly before the Queen's Bench Court of Alberta and that arbitration be suspended in order to include the relative claims in the proceedings to be heard jointly. On May 27, 2016 Saipem filed a short reply requesting that the Court declare invalid the arbitration proceedings commenced by Husky. At the hearing for the discussion of this petition, held on July 4, 2016, the judge rejected the request to declare the arbitration procedure invalid initiated by Husky which is ongoing.
In March 2018, the parties entered into an arbitration agreement by which they agreed to unite all the disputes pending between them, as described above, in a single "ad hoc" arbitration proceeding based in Canada.
In the Statement of Claim filed by Saipem on April 30, 2018 in the new arbitration procedure, Saipem requested: (i) damages for over CAD 508 million (approximately €331 million); (ii) damages to be calculated by the court following adjustments to the contract price due to additional work resulting from the contractual breaches by Husky, or on a quantum meruit basis; (iii) punitive damages to be determined; (iv) interest in the amount of CAD 90 million (approximately €58.7 million) (or to be calculated by the court); (v) legal expenses; (vi) any other damages awarded by the court. In the Statement of Claim filed on April 30, 2018, Husky asked: (i) compensation for approximately CAD 1.37 billion (approximately €909 million) as compensation for alleged damages (this amount includes, inter alia, payments allegedly in excess of the agreed lump-sum price; the costs for completing the work after the termination of the contract; the loss of profit and the liquidated damages for delay for the alleged delayed completion of the Project); (ii) interest to be calculated by the court; (iii) legal expenses; (iv) any other damages awarded by the court. On June 8, 2018, the parties filed their respective Statements of Defence. On September 13, 2019, the parties exchanged their respective witness statements, expert reports and memorials. In particular, in their respective memorials: (i) Saipem reduced its claims to CAD 166 million (approximately €108 million), these claims relate to the costs incurred up to the termination of the contract and associated damages; while (ii) Husky introduced an application for the repayment of alleged overstated payments, initially quantifying them in a range from CAD 75 million (approximately €48 million) to CAD 125 million (approximately €81.6 million),. Upon the exchange of supplemental memorials, which took place on January 31, 2020, Husky specified its latest request in approximately CAD 122.5 million (approximately €80 million). During subsequent exchanges, the parties clarified their claims, also submitting reports by their technical consultants. In particular: (i) Saipem's claim is now CAD 129,562,216 (approximately €84.5 million) (net of CAD 15,790,266, equal to approximately €10.3 million, part of Husky's claim which Saipem recognised limited to this amount, to be offset against the greater amount that Saipem claims it is due from Husky); while (ii) Husky's claim now amounts to CAD 730,269,226 (approximately €477 million). Hearings were held in February 2021. The award is expected to be issued by the end of 2021.

### ARBITRATION WITH NATIONAL COMPANY FOR INFRASTRUCTURE PROJECTS DEVELOPMENT CONSTRUCTION AND SERVICES KSC (CLOSED), FORMERLY KHARAFI NATIONAL CLOSED KSC ("KHARAFI") - JURASSIC PROJECT

With reference to the Jurassic project and the relating EPC contract between Saipem SpA ("Saipem") and Kharafi, on July 1, 2016 Saipem filed a request for arbitration with the London Court of International Arbitration ("LCIA") with which it requested that Kharafi be sentenced:

(1) to return KWD 25,018,228 (approximately €68,243,008), cashed by Kharafi through the enforcement of a performance bond following the termination of the contract with Saipem;
(2) to refund KWD 20,135,373 (approximately €54,922,842) for costs deriving from the suspension of the procurement activities, particularly those connected with the purchase by Saipem of 4 turbines;
(3) to refund KWD 10,271,409 (approximately €28,009,394) for engineering costs borne by Saipem prior to the termination of the contract by Kharafi;

for a total of KWD 55,425,010 (equal to approximately €153,065,479 on the basis of the exchange rate at December 31, 2017).
Kharafi responded to Saipem's request for arbitration rejecting the claims therein and demanding, by way of counterclaim, that Saipem be sentenced to pay an amount not yet quantified but including, among other things:

(1) the costs allegedly sustained by Kharafi due to Saipem's alleged non-fulfilment of the contract (more than KWD 32,824,842, i.e. approximately €89,510,985); and
(2) the damage allegedly suffered by Kharafi following the enforcement of a guarantee in a sum equivalent to KWD 25,136,973 issued by Kharafi to the final client of the Jurassic project.

On April 28, 2017, Saipem filed its Statement of Claim and on October 16, 2017 Kharafi filed its Statement of Defence and Counterclaim. The Kharafi counterclaim was set out in KWD 102,737,202 (approximately €283 million). Saipem filed its response on February 6, 2018 and Kharafi the related Reply and Defence to Counterclaim on April 6, 2018.
On November 14, 2018, the parties filed their expert reports. At that time, Kharafi produced a report prepared by an external consulting company in which, for the first time, it claimed that the company would have suffered damages for equal to approximately €1.3 billion, allegedly attributable to Saipem related to the failure of the Jurassic and BS171 projects (in which Kharafi was a subcontractor of Saipem). Subsequently, Saipem filed an appeal with the Arbitral Tribunal requesting that the expert report in question, as well as the related request, be thrown out as late and without foundation.
On February 5, 2019, the Arbitral Tribunal pronounced that the report in question was inadmissible and, with it, the new claim for compensation brought by Kharafi for the equivalent of €1.3 billion.
On March 1, 2019, Kharafi appealed against the decision of the Arbitral Tribunal which stated that the aforementioned report was inadmissible before the High Court of Justice in London. At the hearing on July 6, 2019, the High Court of Justice in London ruled in favour of Saipem, fully rejecting the request of Kharafi and ordering Kharafi to pay, within 14 days from the ruling, GBP 79,000 (approximately €91,329) as legal expenses.
With their last filing the parties specified their demands, based on the final quantifications performed by the experts, indicating as follows: (i) Saipem, KWD 46,069,056.89 (approximately €125,611,591); and (ii) Kharafi, KWD 162,101,263 (approximately €441,984,259).
Hearings were held in London from February 18 to March 1, 2019. The award was issued on November 8, 2019 and notified to the parties in the following days. In the award, the Arbitral Tribunal sentenced Kharafi to pay Saipem the amount of the guarantee deemed unfairly enforced by Kharafi, namely KWD 25,018,228 (approximately €68,1 million), in addition to interest at 7%, rejecting all Kharafi's claims and sharing among the parties the legal costs. At present, Kharafi has not paid Saipem the amount referred to in the award.

### ARBITRATION WITH CPB CONTRACTORS PTY LTD (FORMERLY LEIGHTON CONTRACTORS PTY LTD) ("CPB") - GORGON LNG JETTY PROJECT

In August 2017, CPB notified Saipem SA and Saipem (Portugal) Comércio Marítimo, Sociedade Unipessoal Lda ("Saipem") of a request for arbitration.
The dispute stems from the construction of the dock of an LNG plant for the Gorgon LNG project in Western Australia. The main contract for engineering and construction of the pier ("Jetty Contract") was signed on November 10, 2009 by CPB, Saipem SA, Saipem (Portugal) Comércio Marítimo, Sociedade Unipessoal Lda and Chevron Australia Pty Ltd ("Chevron").
CPB based on alleged contractual breaches by Saipem SA and Saipem (Portugal) Comércio Marítimo, Sociedade Unipessoal Lda has requested that Saipem be ordered to pay approximately AUD 1.39 billion (approximately €900 million). Saipem believes that the CPB claims are totally unfounded and has filed its statement in which it has requested the rejection of all the claims made by CPB and filed a counterclaim for AUD 37,820,023 (approximately €24.5 million), subsequently increased to approximately AUD 50 million (approximately €32.4 million), for payments related to the consortium agreement, extra costs related to non-compliance and delays by CPB in the execution of the works and backcharges. Subsequently, the parties specified their claims. In particular: (i) CPB clarified its demands by making a claim of approximately AUD 1 billion (approximately €649 million) for alleged violations of the consortium agreement between the parties and another alternative claim of approximately AUD 1.46 billion (approximately €948 million) based on the assumption that CPB would not have entered into the Jetty Contract (and would not have suffered the related damages), if Saipem had not violated the consortium contract; (ii) Saipem has now quantified its claims in a total amount of approximately AUD 30 million (approximately €19.4 million). The first set of hearings was held in December 2020, while subsequent hearings will be held from March 9 to April 1,2021 and from October 11 to October 20, 2021. Barring postponements, the arbitration should end in 2022.

It is noted that, with reference to the same project, in 2016 Chevron initiated a separate arbitration proceeding against the consortium between CPB and Saipem, requesting payment of liquidated damages and back-charges for an amount currently equal to about AUD 54 million (approximately €35 million). In this arbitration, both CPB and Saipem filed separate counterclaims against Chevron, quantified, respectively, at AUD 1.9 billion (approximately €1.2 billion) (it is noted that the items of damages proposed by CPB against Chevron appear, in large part, superimposable to those proposed by CPB against Saipem in the arbitration between the latter two, referred to in the first part of this paragraph) and AUD 23 million (approximately €14.9 million). The hearings of these proceedings were held in November 2019.
On October 20, 2020, the partial award was notified in this second arbitration (it is a partial ruling as it did not rule on the Australian GST – goods and services tax – interest and arbitration costs). This award recognised: (i) to Saipem, USD 8,835,710

(approximately € 7.3 million) and €99,460; (ii) to CPB, AUD 65,803,183 (approximately €42.7 million); and (iii) to Chevron, AUD 34,570,936 (approximately €22,465,976). The award, however, does not distinguish between Saipem and CPB, treating the two parties as a single entity. By offsetting the credits and debits indicated above, the arbitration panel therefore indicated the Saipem/CPB consortium as the creditor for the following amounts AUD 31,232,247 (approximately €20,296,323), USD 8,835,710 USD (approximately €7.3 million) and €99,460, leaving it to the members of the Saipem/CPB Consortium to divide these sums internally. The members of the Saipem/CPB Consortium have reached an internal agreement whereby the amounts due to Saipem are equal to €99,460.47 and USD 7,464,454.02 (approximately €6.1 million), without prejudice to the rights of the members of the consortium to claim a different division in court. Saipem collected the amount it was owed by Chevron. The arbitration in question will continue as regards GST, interest and legal costs. The final award is expected to be issued within the first half of 2021.

#### ARBITRATION WITH NATIONAL COMPANY FOR INFRASTRUCTURE PROJECTS DEVELOPMENT CONSTRUCTION AND SERVICES KSC (CLOSED), FORMERLY KHARAFI NATIONAL KSC (CLOSED) - BOOSTER STATION 171 (KUWAIT) PROJECT ("BS171")

On March 18, 2019, the International Chamber of Commerce of Paris, at the request of the National Company for Infrastructure Projects Development Construction and Services KSC (Closed) (formerly Kharafi National KSC, for convenience, hereinafter "Kharafi") notified Saipem SpA of a request for arbitration, in which Kharafi requested that Saipem be ordered to pay sums of at least KWD 38,470,431 (approximately €104,843,488) as extra-costs deriving from alleged breaches of contract, in addition to KWD 8,400,000 (approximately €22,893,337) by way of refund of the amount collected by Saipem in 2016 following the enforcement (illegitimate according to Kharafi) of the bond issued by Kharafi to guarantee project performance.
The dispute pertains to subcontract No. 526786 signed by Saipem and Kharafi on August 27, 2010, relating to the BS171 project (final client KOC) terminated by Saipem on July 30, 2016 for serious breaches and delays by Kharafi in the execution of the works, with consequent enforcement of the aforementioned performance guarantee.
Appearing in court, on May 17, 2019 Saipem filed its response to the request for arbitration, contesting the requests by Kharafi and making a counterclaim, which involves: (i) a payment of KWD 14,964,522 (approximately €40,783,154); and (ii) the recognition of Saipem's enforcement of the performance bond and the consequent rejection of the reimbursement claim for the same amount (KWD 8,400,000) made by Kharafi.
In the Schedule of Loss filed by Kharafi in March 2020, the claim was reduced to KWD 31,824,929 (approximately €86,734,625) in addition to interest and costs, including KWD 8,400,000 (approximately €22.893,337) by way of return of the performance bond. Saipem should have filed its Statement of Defence and Counterclaim on April 9, 2020. However, the deadline was postponed due to the COVID-19 emergency. Finally, on September 18, 2020, Saipem filed its defence and counterclaim, contesting the opposing claims and quantified its counterclaim in KWD 23,431,109 (approximately €63,861,514) plus interest and expenses. Kharafi should have filed its reply by December 4, 2020; however, on the same date, Kharafi's lawyers sent a letter to the ICC Arbitral Tribunal in which they informed that, due to economic difficulties, Kharafi would no longer have any legal representation in the BS 171 arbitration, would not be able to produce further documentation in the proceeding and would not participate in any future arbitration hearings. Despite this, Kharafi invited the Court not to consider its claim as withdrawn or Saipem's claim as admitted, asking that the arbitration proceeding be continued in absentia and that the Arbitral Tribunal rule on the basis of the deeds and documents filed to date by both parties. On December 16, 2020, Saipem sent its response to the Court, asking that the Court: (i) reject Kharafi's request of a proceeding tried in absentia to be decided on the sole basis of the available documentation; and (ii) reject Kharafi's claims, as Kharafi was no longer able to support such claims in the proceedings. The arbitral tribunal gave Kharafi a deadline of January 7, 2021 to respond to Saipem's request, then extended it to January 18, 2021, given Kharafi's inaction. Kharafi, however, did not file any replies. On February 1, 2021, the arbitral tribunal decided to proceed in Kharafi's absentia and to set three hearing days in October or November 2021 (instead of three weeks in March 2022, as initially foreseen by the arbitration calendar), inviting the parties to provide comments on the decision. Saipem has expressed its agreement with the Court's decision. The parties are now in the process of agreeing the arbitral calendar.

#### ARBITRATION INITIATED BY NORMAND MAXIMUS OPERATIONS LTD ("NORMAND MAXIMUS")

Normand Maximus has initiated two arbitration proceedings under the London Maritime Arbitrators Association and London Arbitration Act 1996 against Saipem (Portugal) Comércio Marítimo - Sociedade Unipessoal Lda. ("SPCM") and Saipem SpA. The arbitration against SPCM relates to the charter agreement of the vessel Normand Maximus dated June 6, 2014 and subsequent amendments (the "Agreement"), whilst that against Saipem SpA concerns the parent company guarantee issued by Saipem SpA. on October 26, 2016, with which the latter guaranteed SPCM's obligations under the Contract.
Normand Maximus' claims in the two arbitrations amount to a total of USD 48,173,144 (approximately €39.7 million) (for the termination fee, hire differential claim and unused maintenance days claim allegedly accrued following the termination of the Contract by SPCM), in addition to expenses and interest. SPCM and Saipem SpA pleaded that they did not receive the notification of the requests for arbitration in a timely manner and therefore obtained a postponement to February 12, 2021 for the filing of the respective Defences and Counterclaim Submissions.
On February 12, 2021, SPCM filed its Defence and Counterclaim submission, requesting, by way of a counterclaim, USD 43,714,805 (approximately €36 million) (or other amount determined by the Court) plus interest and expenses, deriving from breaches by Normand Maximus and associated damages to SPCM due to the non-compliance of the vessel with respect to the contractual specifications. On the same date, Saipem SpA filed its Defence and Counterclaim submission in the arbitration relating to the parent company guarantee, denying any breach by SPCM in relation to the contract for which the guarantee was issued. SPCM and Saipem SpA also claimed their right to offset the amounts requested by Normand Maximus with the amounts due by the latter by way of damages caused to SPCM/Saipem SpA for the above reasons. On March 12, 2021, Normand Maximus filed its reply and defence to counterclaim whereby it has: (i) claimed that SPCM and Saipem SpA have no right to set off any amount claimed by Normand Maximus with any possible amount owed to SPCM and Saipem SpA for damages; (ii) rejected SPCM

and Saipem SpA's position on the non-conformity of the vessel to the contractual specifications; and (iii) challenged the quantification of the damages made by SPCM and Saipem.
Normand Maximus has also filed a separate application in which it has asked the Arbitral Tribunal to determine as preliminary issues: (i) the correct measure of SPCM and Saipem SpA's losses; and (ii) whether SPCM and Saipem SpA are entitled to set-off the sums counterclaimed. Normand Maximus also seeks an immediate partial award on their claims in such sum as the Tribunal may determine. The hearings relevant to such claims will be held on May 19 and 20, 2021.

### ARBITRATION INITIATED BY SAUDI ARABIAN KENTZ CO LTD ("KENTZ")

On November 27, 2020, Kentz sent Snamprogetti Saudi Arabia Co Ltd ("Snamprogetti") a request for arbitration under the rules of the International Chamber of Commerce ("ICC").
In this request for arbitration, Kentz, a Snamprogetti subcontractor in the Khurais Central Processing Facilities for the Area Facilities Expansion and Sat GOSP project, requested an extension of time and the payment of SAR 329,020,474 (approximately €72.9 million) (plus interest and legal costs) for the alleged costs of delay, disruption, acceleration, substitution, head office overheads, finance costs, milestone and back-charges, which Kentz believes were illegally applied by Snamprogetti. On January 25, 2021, Snamprogetti filed its response to Kentz's request for arbitration, rejecting the latter's claims and requesting, in counterclaim, the following amounts: (i) SAR 18.4 million (approximately €4 million) for liquidated damages; (ii) SAR 25,380,189 (approximately €5.5 million) for additional costs incurred when Snamprogetti had to replace Kentz in some activities relating to the project; (iii) SAR 1,048,276 (approximately €232,000) for costs related to additional resources that Snamprogetti had to dedicate to the Project due to Kentz's default; and (iv) interest and expenses. On February 27, 2021 Kentz has submitted its Reply to Answer and Counterclaims in which it has rejected Snamprogetti's position and insisted with its claims. The parties will now have to agree on the arbitration schedule.

### LITIGATION INITIATED BY ISIODU COMMUNITY IN EMOHUA LOCAL GOVERNMENT AREA OF RIVERS STATE + OTHERS

HRH Eze Jacob O Ugwugweli, Chief Tobin Iregbundah, Chief Robinson Chukwu, Chief Sunday P. Azundah, Elder Clifford Ikpo, Chief Samuel C. Azundah (on its own and on behalf of the Council of Chiefs and people of Isiodu Community in Emohua Local Government Area of Rivers State (together the "Plaintiffs") sued Saipem Contracting Nigeria Limited ("SCNL"), Shell Petroleum Development Company Nigeria Ltd ("SPCD"), Patyco Global Concept Ltd, the Nigerian Federal Ministry of Environment and the Nigerian Department of Petroleum Resources before the Federal High Court of Port Harcourt (Nigeria) alleging that toxic substances deriving from the realisation of the Southern Swamp Associated Gas Solutions project in Nigeria were illegally spilled into the territory of their community by the Nigerian company Patyco Global Concept Limited, a subcontractor appointed by SCNL/SPDC to dispose of the waste deriving from the realisation of this project. The Plaintiffs requested that all the defendants be sentenced to pay, jointly and severally, compensation of: (i) USD 60 million (approximately €49.5 million) for the alleged damage to the environment and the health/life of the Plaintiffs; (ii) USD 3 billion (approximately €2.47 billion) for the alleged special damages for all of the related consequences and recovery activities that would allegedly derive from them; (iii) legal fees and interest at 20%. The first hearing, scheduled for March 17, 2021, has been adjourned to May 26, 2021. The defendants contest any responsibility vis-à-vis the claims put forth by the Plaintiffs.

### CONSOB RESOLUTION OF MARCH 2, 2018

With reference to Consob Resolution No. 20324 of March 2, 2018 ("the Resolution") the contents of which are described in paragraph "Information regarding censure by Consob pursuant to Article 154-*ter*, subsection 7, of Legislative Decree No. 58/1998 and the notice from the Consob Offices dated April 6, 2018", the Board of Directors of Saipem resolved on March 5, 2018 to appeal the Resolution in the competent courts.
The appeal to the TAR-Lazio was filed on April 27, 2018. Following access to the administrative proceedings, on May 24, 2018 Saipem filed with the TAR-Lazio additional grounds for appeal against the aforementioned Resolution. The date for the hearing before TAR-Lazio has been scheduled for June 15, 2021.

### CONSOB RESOLUTION OF FEBRUARY 21, 2019

With reference to Consob Resolution No. 20828 of February 21, 2019, communicated to Saipem on March 12, 2019 ("the Resolution") the contents of which are described in paragraph "Information regarding censure by Consob pursuant to Article 154-*ter*, subsection 7, of Legislative Decree No. 58/1998 and the notice from the Consob Offices dated April 6, 2018", the Board of Directors of Saipem resolved on April 2, 2019 to appeal the Resolution No. 20828 before the Court of Appeals of Milan. On April 12, 2019, Saipem SpA appealed, pursuant to Article 195 TUF, against the Resolution before the Milan Court of Appeal, requesting its cancellation. A similar appeal was filed by the two individuals sanctioned under the Resolution, i.e. the Chief Executive Officer of Saipem SpA and the Chief Financial Officer and Manager responsible for Financial Reporting in office at the time of the events. The first hearing before the Milan Court of Appeal was held on November 13, 2019.
On that day, the Milan Court of Appeal postponed the discussion on November 4, 2020.
On October 23, 2020 Saipem SpA and the two individuals sanctioned submitted an application to the Court of Appeal, to be allowed to file the documents required to debate the appeal by November 4, 2020.
On November 2, 2020, the Court of Appeal authorised the filing of the documents requested on October 23, 2020 by the parties, also granting Consob a deadline to submit any counter-arguments on those documents by December 15, 2020 and postponed the hearing to discuss the appeal to January 27, 2021.
On January 20, 2021, Saipem SpA and the two individuals sanctioned presented a new application to the Court of Appeal, to be allowed to file the additional documents required to debate the appeal by January 27, 2021 and to be authorised to propose new grounds for the appeal. which came to light when the new documents were found.
On January 21, 2021, the Court of Appeal accepted the applications by Saipem and the individuals and authorised the filing of the documents requested on January 20, 2021. The Court also upheld the proposal of additional grounds, to be submitted through

written filings by February 26, 2021, and also granted Consob the right to submit its counter filings by March 25, 2021. The hearing for the discussion will be held on April 21, 2021.

#### ONGOING INVESTIGATIONS. PUBLIC PROSECUTOR'S OFFICE OF MILAN - 2015 AND 2016 FINANCIAL STATEMENTS. PROSPECTUS OF THE JANUARY 2016 CAPITAL INCREASE

On January 22, 2019, the Public Prosecutor's Office of Milan notified Saipem SpA of a *"local search warrant and seize notice of investigation"*, in relation to the alleged administrative offence pursuant to Articles 5, 6, 7, 8 and 25-*ter* - lett. B), Legislative Decree No. 231/2001, based on the alleged crime of false accounting allegedly committed from April 2016 to April 2017, as well as in relation to the alleged unlawful administrative act pursuant to Articles 5, 6, 7, 8 and 25-*sexies* of Legislative Decree No. 231/2001, based on the alleged crime of manipulation of the market, allegedly committed from October 27, 2015 to April 2017.
At the same time, the Public Prosecutor's Office of Milan had notified the following individuals that they were under investigation: the Chief Executive Officer of the Company (appointed by Shareholders' Meeting on April 30, 2015 and on May 3, 2018), as well as, for various reasons, one manager and two former managers (the former Officer responsible for financial reporting in office until June 7, 2016 and the former Officer responsible for financial reporting in office until May 16, 2019). The investigation concerns the following offences: (i) false accounting relating to the 2015 and 2016 financial statements; (ii) manipulation of the market allegedly committed from October 27, 2015 to April 2017; and (iii) false statements in the Prospectus issued with reference to the documentation for the offer of the capital increase in January 2016.
On December 18, 2020, the Milan Public Prosecutor's Office served the notice of conclusion of the preliminary investigations to the Chief Executive Officer of the Company (appointed by Shareholders' Meeting on April 30, 2015 and on May 3, 2018), to a former executive (the officer responsible for financial reporting in office until June 7, 2016) and to Saipem SpA.
Saipem SpA is charged with reference to the hypothesis of an administrative offence referred to in Articles 5, 6, 7, 8 and 25-*ter* of Legislative Decree No. 231/2001 "for having failed to prepare an organisational model suitable to prevent the crimes of false accounting", pursuant to Article 2622 of the Italian Civil Code, allegedly committed from March 16, 2016 until July 27, 2016 with reference to the Financial Statements at December 31, 2015 and the Half-Year Report at June 30, 2016 and the administrative offence referred to in Articles 5, 6, 7, 8 and 25-*sexies* of Legislative Decree No. 231/2001 *"for having failed to prepare an organisational model suitable to prevent the crimes of false statements in the prospectus"*, pursuant to Article173-*bis* of Legislative Decree 58/98, and "market manipulation", pursuant to Article 185 of Legislative Decree No. 58/1998, allegedly committed from October 27, 2015 until July 27, 2016.
From the notice of conclusion of the preliminary investigations, the following offences are waged against the two individuals still under investigation (the Chief Executive Officer of the Company appointed by Shareholders' Meeting on April 30, 2015 and on May 3, 2018 and a former Executive who held the role of Executive Officer responsible for financial reporting in office until June 7, 2016): (i) false accounting pursuant to Article 2622 of the Italian Civil Code in relation to the Financial Statements at December 31, 2015 (with reference to both suspects) and the Half-Year Report at June 30, 2016 (with reference only to the Chief Executive Officer of the Company appointed by Shareholders' Meeting on April 30, 2015 and on May 3, 2018); (ii) false statements in the Prospectus pursuant to Article 173-*bis* of Legislative Decree 58/98 with reference to both suspects, issued with reference to the documentation for the offer of the capital increase in January 2016, from January 22, 2016 to February 5, 2016; (iii) market manipulation pursuant to Article 185 of Legislative Decree No. 58/1998, allegedly committed by the Chief Executive Officer of the Company (appointed by Shareholders' Meeting on April 30, 2015 and on May 3, 2018) from October 27, 2015 to July 27, 2016 and by the CFO and Officer responsible for financial reporting in office until June 7, 2016 from October 27, 2015 until June 7, 2016.
On March 29, 2021, the Judge for the preliminary hearing of the Tribunal of Milan has notified to Saipem SpA that the preliminary hearing is scheduled for May 10, 2021, in relation to the alleged administrative offence pursuant to Articles 5, 6, 7, 8 and 25-*ter* - letter B) of Legislative Decree No. 231/2001, for failing to implement an organisational model capable of preventing the offence of false accounting, allegedly committed from March 16, 2016 to July 27, 2016, as well as in relation to the alleged administrative offence pursuant to Articles 5, 6, 7, 8 e 25-*sexies* of Legislative Decree No. 231/2001, for failing to implement an organisational model capable of preventing the crimes of false statement in the prospectus and manipulation of the market, allegedly committed from October 27, 2015 to July 27, 2016.
This notification follows the issue of the notice of completion of the preliminary investigations and the subsequent request for indictment by the Public Prosecutor of Milan, notified together with the decree scheduling the preliminary hearing, against Saipem SpA, the Chief Executive Officer of the Company (appointed by Shareholders' Meeting on April 30, 2015 and on May 3, 2018) and a former executive of the Company (the CFO and Officer responsible for the Company's Financial Reporting in office until June 7, 2016).
The Public Prosecutor of Milan in the request for indictment alleges the following offences: (i) false accounting pursuant to Article 2622 of the Italian Civil Code relating to the Financial Statements at December 31, 2015, allegedly committed by both individuals, and the First Half Report at June 30, 2016 allegedly committed only by the Chief Executive Officer of the Company (appointed by Shareholders' Meeting on April 30, 2015 and on May 3, 2018); (ii) manipulation of the market pursuant to Article 185 of Legislative Decree No. 58/1998 allegedly committed by the Chief Executive Officer of the Company (appointed by Shareholders' Meeting on April 30, 2015 and on May 3, 2018) from October 27, 2015 to July 27, 2016 and by the CFO and Officer responsible for Financial Reporting in office until June 7, 2016 from October 27, 2015 until June 7, 2016; and (iii) false statement in the prospectus pursuant to Article 173-*bis* of Legislative Decree No. 58/1998 allegedly committed from January 22, 2016 until February 5, 2016 by both individuals with reference to the documentation for the offer of a capital increase in January 2016.

## 30 Revenue

The following is a summary of the main components of revenue. For more information about changes in revenue and reporting by business segment, see the "Financial and economic results" section of the "Directors' Report".

### Core business revenue

Core business revenue was as follows:

| (€ million) | 2019 | 2020 |
|---|---|---|
| Revenue from sales and E&C services | 8,006 | 6,631 |
| Revenue from sales and Drilling services | 1,093 | 711 |
| **Total** | **9,099** | **7,342** |

Net sales by geographical segment were as follows:

| (€ million) | 2019 | 2020 |
|---|---|---|
| Italy | 366 | 419 |
| Rest of Europe | 404 | 493 |
| CIS | 981 | 539 |
| Middle East | 3,135 | 2,520 |
| Far East | 808 | 880 |
| North Africa | 1,254 | 377 |
| Sub-Saharan Africa | 1,465 | 1,681 |
| Americas | 686 | 433 |
| **Total** | **9,099** | **7,342** |

As described in the “Accounting policies” in the paragraph “Contract assets and contract liabilities”, to which we refer, in consideration of the nature of the contracts and the type of works performed by Saipem, the individual obligations contractually identified are mainly satisfied over time. The revenue that measures the progress of the work is determined, in line with the provisions of IFRS 15, by using an input method based on the percentage of costs incurred with respect to the total contractually estimated costs (“cost-to-cost” method).
Contract revenue includes the amount agreed in the initial contract, plus revenue from change orders and claims.
The change orders consist of additional fees deriving from changes to the contractually agreed works requested by the customer; price revisions (claims) consist of requests for additional fees deriving from higher charges incurred for reasons attributable to the customer. Change orders and claims are included in the amount of revenue when the changes to the agreed works and/or price have been approved, even if their definition has not yet been agreed on and in any case for a total amount not exceeding €30 million. Any pending revenue reported for a period longer than one year, with no changes in the negotiations with the customer, is impaired, despite the confidence in recovery of the business. Amounts higher than €30 million are reported only if supported by outside technical-legal expert opinions.
The cumulative amount of additional payments for change orders and claims, including amounts pertaining to previous years, based on project progress as of December 31, 2020, came to €275 million (€21 million as of December 31, 2019). There are no additional amounts relating to ongoing legal proceedings.
The contractual obligations to be fulfilled by the Saipem Group (order backlog), which as of December 31, 2020 amounted to €22,400 million, are expected to generate revenue of €7,652 million in 2021 while the remainder will be generated in subsequent years.
The share of revenue for leasing in the item “Core business revenue” does not have a significant impact on the overall amount of core business revenue, as it amounts to less than 3% of the total and it refers to the Drilling and Leased FPSO sectors.
Revenue from related parties are shown in Note 38 “Related party transactions”.

### Other income and revenue

Other income and revenue were as follows:

| (€ million) | 2019 | 2020 |
|---|---|---|
| Gains on disposal of assets | 7 | 9 |
| Indemnities | - | - |
| Other income | 12 | 57 |
| **Total** | **19** | **66** |

Other income equal to €57 million (€12 million in 2019) are associated to the impact of a settlement of a dispute with a customer.

## 31 Operating expenses

The following is a summary of the main components of operating expenses. For more information about changes in operating expenses, see the “Financial and economic results” section of the “Directors’ Report”.

## Purchases, services and other costs

Purchases, services and other costs included the following:

| (€ million) | 2019 | 2020 |
|---|---|---|
| Raw, ancillary and consumable materials and goods | 1,815 | 1,538 |
| Services | 3,993 | 3,379 |
| Use of third party assets | 449 | 345 |
| Net accruals to (utilisation of) the provisions for risks and charges | (6) | 58 |
| Other expenses | 2 | 34 |
| less: | | |
| - internal work capitalised | (15) | (21) |
| - changes in inventories of raw, ancillary and consumable materials and goods | 2 | 14 |
| **Total** | **6,240** | **5,347** |

During 2020 no brokerage fees were incurred.
Research and development costs that do not meet the requirements for capitalisation amounted to €35 million (€38 million in 2019).
"Use of third party assets" equal to €345 million, refer to €330 million for lease contracts, of which €296 million relate mainly to "Short term Leases" with a term of less than or equal to 12 months, €31 million relate to "Intangible leasing software" and the remaining part relates to "Low value" and "Variable payments".
Net accruals to/utilisation of the provisions for risks and charges for a total of €58 million refer to the provision for risks related to disputes, provision for contractual expenses and losses on long-term contracts and other provisions included in Note 23 "Provisions for risks and charges".
Purchases, services and other costs to related parties are shown in Note 38 "Related party transactions".

## Net reversals of impairment losses (impairment losses) on trade receivables and other assets

Net reversals of impairment losses (impairment losses) on trade receivables and other assets also include the effects relative to IFRS 9 applied to contract assets and are broken down as follows:

| (€ million) | Dec. 31, 2019 | Dec. 31, 2020 |
|---|---|---|
| Trade receivables | (59) | (5) |
| Other receivables | (1) | - |
| Contract assets | (2) | (2) |
| **Total** | **(62)** | **(7)** |

## Personnel expenses

Personnel expenses were as follows:

| (€ million) | 2019 | 2020 |
|---|---|---|
| Wages and salaries | 1,369 | 1,369 |
| Social security contributions | 203 | 211 |
| Contributions to employee benefits plans | 60 | 34 |
| Accrual to provision for TFR recognised as a counter-item to pension or Inps funds | 23 | 24 |
| Voluntary redundancy incentives | (3) | (3) |
| Other costs | 25 | (4) |
| less: | | |
| - internal work capitalised | (7) | (6) |
| **Total** | **1,670** | **1,625** |

Net accruals to provisions for employee benefits are shown under Note 24 "Employee benefits".
Income/expense for voluntary redundancy incentives refer only to net accruals to/utilisations of the provisions for redundancy incentives as commented in Note 23 "Provisions for risks and charges".

## Long-term stock-based incentive plans for Saipem Senior Managers

In order to create a system of incentives and loyalty among Group's Senior Managers, Saipem SpA, defined a long-term incentive plan starting from 2016, through the free allocation of Saipem SpA ordinary shares which was implemented in quarterly cycles.
The incentive plans (2016-2018 and 2019-2021), approved by the Ordinary Shareholders' Meetings on April 29, 2016 and on April 30, 2019 respectively, provide for the free allocation of Saipem ordinary shares to the executives of Saipem SpA and its subsidiaries, holders of organisational positions with significant impact on the achievement of business results, also in relation to performance expressed and professional skills.
For additional information about the characteristics of the two plans, please see the disclosure made available to the public on the company's website (www.saipem.com), under the current law (Article 114-*bis* of Legislative Decree No. 58/1998 and Consob implementing regulations).
The cost is determined with reference to the fair value of the option assigned to the senior manager, while the portion for the year

is determined pro-rata temporis throughout the period associated to the incentive (so-called vesting period and co investment period/retention premium).
The fair value for the year, relative to all the implementations made, is €12 million.
The assessment was made using the Stochastic and Black & Scholes models, according to the provisions set forth in the IFRS, especially IFRS 2.
The Stochastic model was used to assess the assignment of equity instruments subject to market conditions (TSR).
The Black & Scholes model was used to assess the economic and financial goals.
For the 2020 implementation, the total weighted average unit fair value amounted to €1.320 (€4.442 for the 2019 implementation).
As the plan provides for the strategic resources to invest 25% of the shares accrued at the end of the vesting period for an additional two-year period (co-investment period/Retention Premium), at the end of which the beneficiaries will receive an additional free share, the weighted average fair value differs depending on the type of assignee, as illustrated hereafter:

| | Weighted average fair value (Implementation for 2019) (a) | Weighted average fair value (Implementation for 2020) |
|---|---|---|
| Strategic senior managers | 4.568 | 1.361 |
| Non-strategic senior managers | 4.216 | 1.263 |
| Chief Executive Officer | 4.568 | 1.361 |
| **Total** | **4.442** | **1.320** |

(a) The weighted average fair value for the 2019 implementation was measured again as of 31.12.2020, taking into account the new expectation of achieving non-market conditions by the end of the plan.

On the assignment date, the classification and number of beneficiaries, the respective number of shares allocated and the subsequent fair value calculation, are analysed as follows.

## Implementation for 2019

| | No. of managers | No. of shares (1) | Share portion (%) | Unit fair value TSR E&C (weight 35%) | Unit fair value TSR Drilling (weight 15%) | Unit fair value PFN (weight 25%) | Unit fair value ROAIC (weight 25%) | Fair value overall | Fair value as of 2019 (2) | Fair value as of 2020 (2) |
|---|---|---|---|---|---|---|---|---|---|---|
| Strategic senior managers (vesting period) | 93 | 2,306,100 | 75 | 4.11 | 5.46 | 4.03 | 4.03 | 15,800,533 | 655,253 | 4,396,559 |
| Strategic senior managers (co-investment period) | | | 25 | 8.28 | 10.80 | 4.03 | 4,03 | | | |
| Non-strategic senior managers | 274 | 1,642,500 | 100 | 4.11 | 5.46 | 4.03 | 4.03 | 9,002,050 | 444,406 | 2,949,399 |
| Chief Executive Officer (vesting period) | 1 | 243,900 | 75 | 4.11 | 5.46 | 4.03 | 4.03 | 1,671,111 | 69,301 | 468,348 |
| Chief Executive Officer (Retention Premium period) | | | 25 | 8.28 | 10.80 | 4.03 | 4.03 | | | |
| **Total** | **368** | **4,192,500** | | | | | | **26,473,694** | **1,168,960** | **7,814,306** |

(1) The number of shares shown in the table corresponds to the number assigned at the assignment date. The number of shares used for the fair value calculation as of December 31, 2020, on the other hand, is 5,960,250 shares and reflects the assumptions of achievement of the non-market conditions at the end of the plan.
(2) The fair value for the period is measured as of the observation date.

## Implementation for 2020

| | No. of managers | No. of shares (1) | Share portion (%) | Unit fair value TSR E&C (weight 35%) | Unit fair value TSR Drilling (weight 15%) | Unit fair value PFN (weight 25%) | Unit fair value ROAIC (weight 25%) | Fair value overall | Fair value as of 2019 (2) | Fair value as of 2020 (2) |
|---|---|---|---|---|---|---|---|---|---|---|
| Strategic senior managers (vesting period) | 84 | 4,068,100 | 75 | 0.90 | 1.54 | 1.37 | 1.37 | 8,307,555 | - | 420,785 |
| Strategic senior managers (co-investment period) | | | 25 | 1.79 | 3.04 | 1.35 | 1.35 | | | |
| Non-strategic senior managers | 293 | 3,763,000 | 100 | 0.90 | 1.54 | 1.37 | 1.37 | 6,178,846 | - | 372,084 |
| Chief Executive Officer (vesting period) | 1 | 505,700 | 75 | 0.90 | 1.54 | 1.37 | 1.37 | 1,032,719 | - | 52,344 |
| Chief Executive Officer (Retention Premium period) | | | 25 | 1.79 | 3.04 | 1.35 | 1.35 | | | |
| **Total** | **378** | **8,336,800** | | | | | | **15,519,120** | **-** | **845,213** |

(1) The number of shares shown in the table corresponds to the number assigned at the assignment date. The number of shares used for the fair value calculation as of December 31, 2020, on the other hand, is 11,752,600 shares and reflects the assumptions of achievement of the non-market conditions at the end of the plan.
(2) The fair value for the period is measured as of the observation date.

The evolution of the share plan is as follows:

| | 2019 | | | 2020 | | |
|---|---|---|---|---|---|---|
| | Number of shares | Average price financial year [(a)] (€ thousand) | Market price [(b)] (€ thousand) | Number of shares | Average price financial year [(a)] (€ thousand) | Market price [(b)] (€ thousand) |
| **Options outstanding as of January 1** | **18,097,117** | **-** | **59,087** | **16,530,530** | **-** | **72,005** |
| New options granted | 4,192,500 | - | 16,892 | 8,336,800 | - | 19,705 |
| (Options exercised during the period) [(c)] | (32,130) | - | 135 | (5,125,615) | - | 12,115 |
| (Options expiring during the period) | (5,726,957) | - | 26,975 | (260,485) | - | 616 |
| **Options outstanding as of December 31** | **16,530,530** | **-** | **72,005** | **19,481,230** | **-** | **42,956** |
| **Of which:** | | | | | | |
| - exercisable as of December 31 | - | - | - | - | - | - |
| - exercisable at of the end of the vesting period | 14,197,105 | - | - | 16,058,330 | - | - |
| - exercisable at of the end of the co-investment/Retention Premium period | 2,333,425 | - | - | 3,422,900 | - | - |

(a) As these are grants, the strike price is zero.
(b) The market price of shares underlying the options granted, exercised or expiring during the year corresponds to the average market value; The market price of shares underlying the grants outstanding at the beginning and end of the period is the last price recorded as of January 1 and December 31.
(c) The options exercised in 2020 chiefly represent the shares allocated to the beneficiaries of the 2017 implementation of the 2016-2018 plan, in accordance with the plan rules. In addition, shares assigned in cases of consensual termination of employment. Under the 2016-2018 plan beneficiary retains the right to the incentive to a reduced extent, in relation to the period elapsed between the allocation of shares and the occurrence of such event (Article 4.8 of the plan regulations).

The following table shows options outstanding as of December 31, 2020 and the number of assignees:

| Year | No. of managers | Strike price [(a)] | No. of shares |
|---|---|---|---|
| 2016 | 372 | - | 6,103,514 |
| 2017 | 345 | - | 6,742,400 |
| 2018 | 363 | - | 6,536,330 |
| 2019 | 368 | - | 4,192,500 |
| 2020 | 363 | - | 8,336,800 |
| **As of December 31, 2020** | | | |
| Shares assigned [(a)] | | | |
| 2016 | (20) | - | (158,199) |
| 2017 | (328) | - | (56,530) |
| 2018 | (13) | - | (32,115) |
| 2019 | - | - | - |
| 2020 | - | - | - |
| | | | |
| Expired options | | | |
| 2016 | (372) | - | (5,945,315) |
| 2017 | (26) | - | (602,270) |
| 2018 | (25) | - | (487,885) |
| 2019 | (6) | - | (46,100) |
| 2020 | - | - | - |
| | | | |
| Stock options | | | |
| 2016 | - | - | - |
| 2017 | 95 | - | 981,700 |
| 2018 | 338 | - | 6,016,330 |
| 2019 | 362 | - | 4,146,400 |
| 2020 | 378 | - | 8,336,800 |
| | | | **19,481,230** |

(a) As these are grants, the strike price is zero.

The long-term incentive plans for Saipem SpA employees are shown in the item “Personnel expenses” and as a counter-item to “Other reserves” of equity.
The fair value of allocated options for employees of subsidiaries is shown at the date of option grant in the item “Personnel expenses” and as a counter-item to “Other reserves” of equity. In the same year the corresponding amount is charged to affiliated companies, as a counter-item to the item “Personnel expenses”.

If Saipem SpA personnel who provides service to other group companies, the cost is charged pro-rata temporis to the company where the beneficiaries are in service.
The following parameters were used to calculate fair value:

| | | Allocation | 2019 | Allocation | 2020 |
|---|---|---|---|---|---|
| **Share price** [a] | (€) | Oct. 23, 2019 | **4.03** | Oct. 27, 2020 | **1.40** |
| **Strike price** [b] | (€) | | **-** | | **-** |
| **Strike price used in the Black & Scholes model** | (€) | Oct. 23, 2019 | **4.03** | Oct. 27, 2020 | **1.40** |
| **Expected life** | | | | | |
| Vesting period | (years) | | 3 | | 3 |
| Co-investment/Retention Premium | (years) | | 2 | | 2 |
| **Risk-free interest rate** | | | | | |
| TSR | (%) | | - | | - |
| - vesting period | (%) | Oct. 23, 2019 | 0.00 | Oct. 27, 2020 | 0.00 |
| - co-investment/Retention Premium | (%) | Oct. 23, 2019 | 0.32 | Oct. 27, 2020 | 0.08 |
| Black & Scholes | (%) | | n.a. | | n.a. |
| **Expected dividends** | (%) | | **-** | | **0.72** |
| **Expected volatility** | | | | | |
| TSR | (%) | | - | | - |
| - vesting period | (%) | Oct. 23, 2019 | 37.70 | Oct. 27, 2020 | 48.42 |
| - co-investment/Retention Premium | (%) | Oct. 23, 2019 | 38.18 | Oct. 27, 2020 | 49.24 |
| Black & Scholes | (%) | | n.a. | | n.a. |

(b) Corresponding to the closing price of Saipem SpA shares on the date of assignment, recorded on the Electronic Stock Market managed by Borsa Italiana.
(c) As these are grants, the strike price is zero.

## Remuneration of Senior Managers with strategic responsibilities

To ensure better consistency between disclosures provided in the Remuneration Report and this annual report, the definition of Senior Managers with strategic responsibilities is consistent with Article 65, paragraph 1-*quater* of the Issuer Regulations. This definition refers to individuals with direct or indirect planning, coordination and control powers and responsibilities. The table below shows remuneration of Senior Managers with strategic responsibilities of Saipem, defined as Senior Managers (other than Directors and Statutory Auditors) serving on the Executive Committee, as well as all direct reports of the CEO/of the Chairman of the Board of Directors of Saipem SpA.

| (€ million) | 2019 | 2020 |
|---|---|---|
| Wages and salaries | 6 | 7 |
| Employee termination indemnities | - | - |
| Other long-term benefits | - | - |
| Fair value long-term incentive plans | 2 | 2 |
| **Total** | **8** | **9** |

## Compensation of Statutory Auditors

Remuneration of Statutory Auditors amounted to €248 thousand in 2020.
Compensation included emoluments and all other retributive and social security compensations due for the function of Statutory Auditor of Saipem SpA or other companies within the scope of consolidation that represented a cost to the Parent Company.

## Average number of employees

The average number of employees, by category, for all consolidated companies was as follows:

| (number) | 2019 | 2020 |
|---|---|---|
| Senior managers | 390 | 397 |
| Junior managers | 4,138 | 4,256 |
| White collars | 15,809 | 16,307 |
| Blue collars | 11,784 | 10,168 |
| Seamen | 260 | 244 |
| **Total** | **32,381** | **31,372** |

The average number of employees was calculated as the arithmetic mean of the number of employees at the beginning and end of the year. The average number of senior managers included managers employed and operating in foreign countries whose position was comparable to senior manager status.

### Depreciation, amortisation and impairment losses
Depreciation, amortisation and impairment losses are detailed below:

| (€ million) | 2019 | 2020 |
|---|---|---|
| Depreciation and amortisation: | | |
| - property, plant and equipment | 455 | 431 |
| - intangible assets | 13 | 13 |
| - Right-of-Use assets | 147 | 147 |
| **Total depreciation and amortisation** | **615** | **591** |
| Impairment losses: | | |
| - property, plant and equipment | 73 | 644 |
| - intangible assets | - | - |
| - Right-of-Use assets | 2 | 38 |
| **Total impairment losses** | **75** | **682** |
| **Total** | **690** | **1,273** |

The impairment losses on assets resulting mainly from the impairment tests are described as follows:
> impairment of property, plant and equipment of the Offshore Drilling Division for €590 million deriving from the impairment test;
> write-down of tangible assets and related working capital, as well as of a Right-of-Use asset for €92 million.
For further details, see also the "Financial and economic results" section of the "Directors' Report".

### Other operating income (expense)
During the year, €1 million in operating expenses were recorded (during 2019, no operating income (expense) were recorded).

## 32 Financial income (expense)
This item includes:

| (€ million) | 2019 | 2020 |
|---|---|---|
| **Financial income (expense)** | | |
| Financial income | 515 | 465 |
| Financial expense | (643) | (691) |
| **Total** | **(128)** | **(226)** |
| Derivative financial instruments | (82) | 60 |
| **Total** | **(210)** | **(166)** |

Net financial income (expense) was as follows:

| (€ million) | 2019 | 2020 |
|---|---|---|
| **Net exchange gains (losses)** | **(4)** | **(91)** |
| Exchange gains | 507 | 458 |
| Exchange losses | (511) | (549) |
| **Financial income (expense) related to net financial debt** | **(114)** | **(132)** |
| Interest income from banks and other financial institutions | 6 | 4 |
| Interest income on leases | 1 | 1 |
| Interest and other expense due to banks and other financial institutions | (94) | (114) |
| Interest expense on leases | (27) | (23) |
| **Other financial income (expense)** | **(10)** | **(3)** |
| Other financial income from third parties | 1 | 2 |
| Other financial expense to third parties | (8) | (3) |
| Financial income (expense) on defined benefit plans | (3) | (2) |
| **Net financial income (expense)** | **(128)** | **(226)** |

Net gains (losses) on derivatives consisted of the following:

| (€ million) | 2019 | 2020 |
|---|---|---|
| Exchange rate derivatives | (82) | 60 |
| Interest rate derivatives | - | - |
| **Total** | **(82)** | **60** |

Net gains on derivatives of €60 million (losses of €82 million in 2019) mainly related to the recognition in profit or loss of the change in fair value of derivatives that do not qualify for hedge accounting under IFRS and the recognition of the forward component of derivatives that qualify for hedge accounting.
Financial income (expense) with related parties are shown in Note 38 “Related party transactions”.

# 33 Gains (losses) on equity investments

## Effect of accounting using the equity method

The share of profit (loss) of equity-accounted investees consisted of the following:

| (€ million) | 2019 | 2020 |
|---|---|---|
| Share of profit of equity-accounted investees | 29 | 60 |
| Share of loss of equity-accounted investees | (19) | (15) |
| Net accruals to (utilisations of) the provisions for losses related to equity-accounted investees | (28) | (8) |
| **Total** | **(18)** | **37** |

The share of profits (losses) of equity-accounted investees is commented in Note 17 “Equity investments”.

## Other gains (losses) from equity investments

There were no other gains (losses) on equity during the year like in 2019.

# 34 Income taxes

Income taxes consisted of the following:

| (€ million) | 2019 | 2020 |
|---|---|---|
| Current taxes: | | |
| - Italian subsidiaries | 28 | 40 |
| - foreign subsidiaries | 166 | 107 |
| Net deferred taxes: | | |
| - Italian subsidiaries | (28) | (7) |
| - foreign subsidiaries | (36) | 3 |
| **Total** | **130** | **143** |

The reconciliation between the theoretical tax burden, calculated by applying a 24% tax rate (Ires) to pre-tax profit as provided for by Italian laws, and the effective tax burden for the years ended December 31, 2020 and 2019 is as follows:

| (€ million) | 2019 | 2020 |
|---|---|---|
| **Pre-tax profit (loss)** | **228** | **(974)** |
| **Theoretical income tax** | **55** | **(234)** |
| Items increasing (decreasing) tax rate: | | |
| - different foreign subsidiaries tax rate | 6 | 185 |
| - permanent differences and other factors | 12 | 60 |
| - effect of Italian regional production tax (Irap) on Italian companies | - | 3 |
| - accruals to (utilisations of) tax provision | - | (2) |
| - unrecognised prepaid income taxes | 96 | 121 |
| - impairment (recognition) of deferred tax assets and income taxes | (39) | 10 |
| **Total changes** | **75** | **377** |
| **Effective taxes** | **130** | **143** |

| (€ million) | 2019 | 2020 |
|---|---|---|
| Income taxes recognised in the income statement | 130 | 143 |
| Income tax related to items of other comprehensive income that will be reclassified to profit or loss | (7) | (34) |
| Of which: | | |
| - tax effect due to the change in the fair value of cash flow hedges | (6) | (34) |
| - tax effect due to the change in the fair value of financial assets, other than equity investments, measured at fair value through OCI | (1) | - |
| Income tax related to items of other comprehensive income that will not be reclassified to profit or loss | 4 | 1 |
| Of which: | | |
| - tax effect due to the remeasurement of defined benefit plans for employees | 4 | 1 |
| **Tax on comprehensive income (loss)** | **127** | **110** |

## 35 Non-controlling interests

The share of profits of non-controlling interests amounted to €19 million (€86 million in 2019).

## 36 Earnings (loss) per share

Basic earnings (loss) per ordinary share are calculated by dividing profit or loss for the year attributable to the Group's shareholders by the weighted average of Saipem SpA ordinary shares outstanding during the year, excluding treasury shares.
The weighted average number of outstanding shares adjusted for the calculation of the basic earnings (loss) per ordinary share was 991,647,987 and 996,218,549 in 2020 and 2019, respectively.
Diluted earnings (loss) per share are calculated by dividing earnings (or loss) for the year by the weighted average number of Saipem SpA ordinary shares outstanding during the year, excluding treasury shares, increased by the potential number of shares that could be issued. In case of losses during the year, the potential number of shares are excluded in so far as their inclusion may have an antidilutive effect.
The weighted average number of outstanding shares used for the calculation of the diluted earnings (loss) per share was 991,658,585 and 1,012,759,677 in 2020 and 2019, respectively.
Reconciliation of the average number of outstanding shares used for the calculation of basic and diluted earnings and losses per share is as follows:

| | | Dec. 31, 2019 | Dec. 31, 2020 |
|---|---|---|---|
| **Weighted average number of outstanding shares used for the calculation of the basic earnings (loss) per share** | | **996,218,549** | **991,647,987** |
| Number of potential shares following long-term incentive plans | | 16,530,530 | 19,481,230 |
| Number of savings shares convertible into ordinary shares | | 10,598 | 10,598 |
| **Weighted average number of outstanding shares used for the calculation of the diluted earnings (loss) per share** [a] | | **1,012,759,677** | **991,658,585** |
| Earnings (loss) attributable to the owners of the parent | (€ million) | 12 | (1,136) |
| Basic earnings (loss) per share | (€ per share) | 0.01 | (1.15) |
| Diluted earnings (loss) per share | (€ per share) | 0.01 | (1.15) |

(a) It should be noted that, with reference to 2020, the number of potential shares following long-term incentive plans was not considered when computing the weighted average number of outstanding shares used for the calculation of the diluted earnings (loss) per share.

## 37 Information by sector of activity and geographical area

Saipem's segment information reflects the organisational structure of the company's business divisions, the results for which are periodically reviewed by the Company's upper management and by the highest decision-making bodies for the purpose of taking decisions on the allocation of resources and the assessment of results, identified by the CEO, in accordance with the international accounting standard IFRS 8.
Saipem is a leading group in the areas of engineering, procurement and construction of large-scale projects in the energy and infrastructure industries. Saipem is divided into five business divisions: Offshore Engineering & Construction, Onshore Engineering & Construction, Offshore Drilling, Onshore Drilling and XSIGHT. The process of divisionalisation, which concluded in December 2018, gave the divisions full autonomy, specifically with regard to sales, project execution, technology and Research and Development, business strategies, partnerships, etc.
The Offshore Engineering & Construction Division is a leader in offshore construction, strongly oriented towards operations in remote areas and deep water. It provides support to clients from the earliest phases of a project and throughout the entire development process. It offers a wide range of products and services, including the design, construction and installation of platforms, pipelines, undersea fields and MMO (Maintenance, Modification and Operation), and decommissioning, with the addition of offshore windfarm development and the integration of energy transition projects.
The Engineering & Construction Onshore division designs and builds onshore project in the LNG and regasification, refining, petrochemical, fertilizers, pipelines, gas and oil processing stations, floaters, renewables, biotechnologies, $CO_2$ capture, transportation and storage and hydrogen production and transportation; it provides a full range of engineering integrated services, procurement, project management and construction, mostly for the energy industry markets and the sectors of hard-to abate and large public infrastructures.
The Offshore and Onshore Drilling Divisions are international contractors, offering offshore and onshore drilling services with all types of rigs in every geographic area.
The XSIGHT Division is a Saipem Group start-up. It provides state of the art, high value and highly innovative services to the entire Energy industry, including renewables and green energy. The XSIGHT Division works to improve the efficiency of engineering services through simplified processes and innovative digitalisation models. In addition, it offers a wide range of services: financial development, consulting, stakeholder and risk management. The results of the XSIGHT Division are included in the Onshore Engineering & Construction Division because the numbers do not yet warrant separate disclosure.
The major financial information for the operational segments subject to reporting to the CEO are: revenue, operating profit and assets and liabilities that are directly attributable.

Unallocated items mainly refer to cash and cash equivalents, tax assets and liabilities measured at fair value through OCI and non-current financial liabilities.
The sector information is set out in the tables below.

## Reporting by business segment

| (€ million) | Offshore E&C | Onshore E&C | Offshore Drilling | Onshore Drilling | Unallocated | Total |
|---|---|---|---|---|---|---|
| **December 31, 2019** | | | | | | |
| Core business revenue | 5,131 | 4,641 | 905 | 639 | - | 11,316 |
| less: intra-group sales | 1,290 | 476 | 350 | 101 | - | 2,217 |
| **Net revenue** | **3,841** | **4,165** | **555** | **538** | **-** | **9,099** |
| Operating profit (loss) | 325 | 94 | 40 | (3) | - | 456 |
| Depreciation, amortisation and impairment losses | 307 | 83 | 176 | 124 | - | 690 |
| Gains (losses) on equity investments | 1 | (19) | - | - | - | (18) |
| Capital expenditure | 144 | 22 | 86 | 84 | - | 336 |
| Property, plant and equipment and intangible assets | 2,614 | 490 | 1,173 | 550 | - | 4,827 |
| Right-of-Use assets | 409 | 104 | 59 | 12 | - | 584 |
| Equity investments [a] | 113 | (9) | - | 2 | - | 106 |
| Current assets | 1,115 | 2,474 | 265 | 201 | 2,957 | 7,012 |
| Current liabilities | 1,484 | 2,813 | 140 | 104 | 663 | 5,204 |
| Provisions for risks and charges [a] | 66 | 136 | 2 | 7 | 15 | 226 |
| **December 31, 2020** | | | | | | |
| Core business revenue | 4,039 | 4,358 | 644 | 518 | - | 9,559 |
| less: intra-group sales | 1,290 | 476 | 350 | 101 | - | 2,217 |
| **Net revenue** | **2,749** | **3,882** | **294** | **417** | **-** | **7,342** |
| Operating profit (loss) | (178) | 19 | (645) | (41) | - | (845) |
| Depreciation, amortisation and impairment losses | 343 | 100 | 692 | 138 | - | 1,273 |
| Gains (losses) on equity investments | (8) | 45 | - | - | - | 37 |
| Capital expenditure | 193 | 17 | 60 | 52 | - | 322 |
| Property, plant and equipment and intangible assets | 2,561 | 443 | 539 | 442 | - | 3,985 |
| Right-of-Use assets | 179 | 87 | 13 | 9 | - | 288 |
| Equity investments [a] | 97 | 41 | - | 2 | - | 140 |
| Current assets | 1,200 | 2,338 | 185 | 158 | 2,530 | 6,411 |
| Current liabilities | 1,421 | 2,685 | 88 | 71 | 638 | 4,903 |
| Provisions for risks and charges [a] | 142 | 99 | 3 | 8 | 17 | 269 |

(a) See the section "Reconciliation of reclassified balance sheets used in the management report with the mandatory financial statements" on page 77.

For more details on the information by sectors please see the specific sections of the "Directors' Report".

### Reporting by geographical segment

Since Saipem's business involves the deployment of a fleet on a number of different projects over a single year, it is difficult to allocate assets to a specific geographic segment. As a result, certain assets have been deemed not directly attributable.
The unallocated part of property, plant and equipment and intangible assets and capital expenditure relates to vessels and their related equipment and goodwill.
The unallocated part of current assets pertained to inventories related to vessels.
A breakdown of revenue by geographical segment is provided in Note 30 "Revenue".

| (€ million) | Italy | Rest of Europe | CIS | Rest of Asia | North Africa | Sub-Saharan Africa | Americas | Unallocated | Total |
|---|---|---|---|---|---|---|---|---|---|
| **2019** | | | | | | | | | |
| Capital expenditure | 24 | 6 | 3 | 51 | - | 2 | 40 | 210 | 336 |
| Property, plant and equipment and intangible assets | 72 | 37 | 62 | 534 | - | 39 | 263 | 3,820 | 4,827 |
| Right-of-Use assets | 82 | 102 | 1 | 93 | 4 | 23 | 11 | 268 | 584 |
| Identifiable assets (current) | 1,536 | 475 | 177 | 2,388 | 309 | 837 | 686 | 604 | 7,012 |
| **2020** | | | | | | | | | |
| Capital expenditure | 25 | 8 | - | 30 | - | - | 29 | 230 | 322 |
| Property, plant and equipment and intangible assets | 74 | 33 | 31 | 444 | - | 32 | 211 | 3,160 | 3,985 |
| Right-of-Use assets | 77 | 79 | 2 | 67 | 2 | 15 | 10 | 36 | 288 |
| Identifiable assets (current) | 1,496 | 495 | 186 | 2,284 | 66 | 796 | 465 | 623 | 6,411 |

Current assets were allocated by geographical segment using the following criteria: (i) cash and cash equivalents and loan assets were allocated on the basis of the country in which individual company bank accounts were held; (ii) inventories were allocated on the basis of the country in which onshore storage facilities were situated (i.e. excluding inventories in storage facilities situated on vessels); (iii) trade receivables and other assets were allocated to the geographical segment to which the related project belonged.
Non-current assets were allocated on the basis of the country in which the asset operates, except for offshore drilling and construction vessels, which were included under "Unallocated".

## 38 Related party transactions

From January 22, 2016, following the entry into force of the transfer of 12.5% of Saipem SpA's share capital from Eni SpA to CDP Equity SpA (formerly Fondo Strategico Italiano SpA), Eni SpA no longer has sole control over Saipem SpA, which has been replaced by the joint control exercised by Eni SpA and CDP Equity SpA (taken over on December 13, 2019 by CDP Industria SpA), on the basis of the shareholders' agreement, with a resulting variation in the scope of related parties. Transactions with related parties entered into by Saipem SpA and/or companies within the consolidation scope concern mainly the supply of services, the exchange of goods with joint ventures, associates and unconsolidated subsidiaries, with subsidiaries, jointly-controlled entities and associates of Eni SpA, with several jointly-controlled entities and associates of CDP Industria SpA (who took the place of CDP Equity SpA from December 13, 2019), and with entities controlled by the Italian State, in particular companies of the Snam Group. These transactions are an integral part of ordinary day-to-day business and are carried out under market conditions which would be applied between independent parties. All transactions were carried out for the mutual benefit of the Saipem SpA companies involved.
Directors, auditors, general managers and key management personnel must declare, every 6 months, any transactions they enter into with Saipem SpA or its subsidiaries, directly or through a third party. Directors and Statutory Auditors release every six months and/or in the event of a change, a statement in which each potential interest is represented in relation to the parent and the Group and in any case report to the Chief Executive Officer (or the Chairman where the Chief Executive Officer is involved), who informs the other directors and the Board of Statutory Auditors of the individual transactions that the parent intends to perform, in which they have direct interests.
Saipem SpA is not under the management or coordination of any other company. Saipem SpA manages and coordinates its subsidiaries pursuant to Article 2497 of the Civil Code.
Within the framework of related party transactions and pursuant to disclosure requirements of Consob Regulation No. 17221 of March 12, 2010, during 2020 the following transactions were carried out, which exceeded the relevance threshold in compliance with the aforementioned Regulation in the Saipem SpA Management System Guideline "Transactions involving interests held by board directors and statutory auditors and transactions with related parties" for transactions of greater importance:
> on November 5, 2020, the customer Eni SpA and Saipem SpA (together "the Parties") signed the following:
  - revision No. 9 of the contract "Drilling operations in ultra deep water by Drillship unit Saipem 10000" for the use of vessel "Saipem 10000" in offshore drilling operations in deep water ("the Contract"). That revision establishes the Contract termination already notified to Consob on December 16, 2015, during the revision signed on December 9, 2015;
  - a new contract "Provision of ultra deep water drilling unit Saipem 10000" regarding offshore drilling activities with the vessel "Saipem 10000" in the Egyptian waters ("the New Contract"), with the possibility of using the vessel in other areas attributable to Eni SpA.

Specifically, regarding those activities, the Parties agreed to extend the Contract duration, originally until March 2021, terminating the contract through Revision No. 9. The New Contract incorporates the duration and residual value of the previous Contract (300 days and $144 million) with two additional terms.
Specifically, the new contract duration is:
- a suspension period estimated until April 30, 2021, during which the vessel "Saipem 10000" will remain in an appropriate location for the suspension and maintenance and will be remunerated with a dedicated suspension rate ("Suspension Rate");
- 10 months related to the residual duration of the previous Contract;
- 18 months additional extension of the operations.

The award of the New Contract was completed through direct negotiation.
The expected value of the New Contract is approximately $247 million and includes the residual value of the contract (approximately $144 million).
The New Contract amount is, therefore, higher than the threshold for the individuation of Major Significance Transactions with related parties, currently €76 million.
Since Saipem SpA is controlled jointly by Eni SpA and CDP Industria SpA, the transaction indicated qualifies as transaction with related parties, as it involves companies under common or joint control (chapter 2 of the Procedure).
The transaction, although qualified as a "major significance" transaction since it exceeds the value significance index, is configured as an ordinary transaction completed at equivalent market or standard conditions, and is, therefore, exempt from the procedural and reporting obligations established for major significance transactions, not included in the exemption cases under the Regulation and the Procedure implemented by the Company (chapter 9).
The parties agreed on the termination of the Contract and simultaneous execution of the New Contract in order to be able to guarantee the operations of the Saipem 10000 vessel for an additional continuous period of 18 months, for a total contract duration of 28 months extending, therefore, the contract expiration from March 2021 to August 2023. The New Contract includes financial conditions consistent with the current market and establishes for the Drilling Offshore Division of Saipem SpA a significant backlog increase of approximately $100 million.
In fact, the New Contract: (i) falls within the ordinary operations of the Saipem Group, specifically of the Offshore Drilling Division; (ii) was acquired at conditions equivalent to market conditions or standard conditions, since it was assigned, with a market margin and consistent with the Offshore Drilling Division expectations. Specifically, the daily operation rate defined in the New Contract is aligned with market references and consistent with the industry studies issued by third parties specialised in the analysis of the rates for offshore drilling vessels comparable in features to the Saipem 10000 vessel.
Within all related party transactions, the relations held with Vodafone Italia SpA should be mentioned, as this company is related to Eni SpA via a member of the Board of Directors, in application of the Consob Regulation on transactions with related parties dated March 12, 2010 and the Saipem internal procedure "Transactions involving interests held by board directors and statutory auditors and transactions with related parties" available on the Company's website www.saipem.com, under the section "Governance/Related parties procedures". This relationship, governed at market conditions, essentially relates to costs for mobile communication services for €4 million and trade payables for €1 million.
The tables below show the value of transactions of a trade, financial or other nature entered into with related parties. The analysis by company is based on the principle of relevance in relation to the total amount of transactions. Transactions not itemised because they are immaterial are aggregated under the following captions:
- unconsolidated subsidiaries;
- joint ventures and associates;
- companies controlled by Eni and CDP Industria SpA;
- associates and jointly-controlled companies of Eni and CDP Industria SpA;
- companies controlled by the State and other related parties.

## Trade and other transactions

Trade and other transactions during 2019 consisted of the following:

(€ million)

| | Dec. 31, 2019 | | | 2019 | | | |
|---|---|---|---|---|---|---|---|
| | | | | Expenses | | Revenues | |
| Name | Trade receivables and other assets | Trade payables, other liabilities and contract liabilities | Guarantees | Goods | Services [1] | Goods and services | Other |
| **Unconsolidated subsidiaries** | | | | | | | |
| Smacemex Scarl | 5 | 4 | - | - | - | - | - |
| Other (for transactions not exceeding €500 thousand) | - | - | - | - | - | - | - |
| **Total unconsolidated subsidiaries** | **5** | **4** | **-** | **-** | **-** | **-** | **-** |
| **Joint ventures and associates** | | | | | | | |
| ASG Scarl [2] | 1 | (3) | - | - | - | - | - |
| CCS JV Scarl [2] | 211 | 334 | - | - | 156 | 189 | - |
| CEPAV (Consorzio Eni per l'Alta Velocità) Due [2] | 56 | 185 | 242 | - | 47 | 57 | - |
| CEPAV (Consorzio Eni per l'Alta Velocità) Uno [2] | (1) | 4 | 70 | - | - | - | - |
| Consorzio F.S.B. | - | - | - | - | 1 | - | - |
| Gydan Lng Snc | 2 | - | - | - | - | 2 | - |
| KWANDA Suporte Logistico Lda | 1 | 5 | - | - | - | 4 | - |
| Petromar Lda | 8 | 1 | - | - | 1 | 8 | 1 |
| PSS Netherlands BV | 33 | - | - | - | - | 63 | - |
| Saipem Taqa Al Rushaid Fabricators Co Ltd | 12 | 15 | - | - | 13 | 1 | - |
| Saren BV | 40 | - | - | - | - | 40 | - |
| TSGI Mühendislik İnşaat Ltd Şirketi | 15 | - | - | - | - | 1 | - |
| Other (for transactions not exceeding €500 thousand) | 1 | - | - | - | - | 1 | - |
| **Total joint ventures and associates** | **379** | **541** | **312** | **-** | **218** | **366** | **1** |
| **Companies controlled by Eni/CDP Industria SpA** | | | | | | | |
| Eni SpA | 5 | 3 | 11 | - | 5 | 12 | - |
| Eni SpA Exploration & Production Division | 1 | 1 | - | - | 2 | 16 | - |
| Eni SpA Gas & Power Division | - | - | - | - | (1) | - | - |
| Eni SpA Refining & Marketing Division | 1 | - | 11 | - | - | 3 | - |
| Eni Angola SpA | 28 | - | 44 | - | - | 259 | - |
| Eni Congo SA | 11 | 4 | 2 | - | (1) | 21 | - |
| Eni Corporate University SpA | - | 1 | - | - | 1 | - | - |
| Eni East Sepinggan Ltd | 20 | 4 | 11 | - | - | 38 | - |
| Eni Gas e Luce SpA | - | - | - | - | 1 | - | - |
| Eni Ghana E&P | 4 | 15 | 7 | - | - | 66 | - |
| Eni Iraq BV | - | - | 2 | - | - | - | - |
| Eni Mediterranea idrocarburi SpA | - | - | - | - | - | 1 | - |
| Eni México, S. de R.L. de Cv | 13 | 2 | - | - | - | 28 | - |
| Eni Muara Bakau BV | - | - | 19 | - | 1 | 47 | - |
| Eni North Africa BV | - | - | - | - | - | 10 | - |
| Eni Pakistan Ltd | - | - | - | - | - | 31 | - |
| EniPower SpA | 1 | - | - | - | - | 1 | - |
| EniProgetti SpA | 3 | - | - | - | - | 8 | - |
| EniServizi SpA | - | 9 | - | - | 36 | - | - |
| Floaters SpA | 1 | - | - | - | - | 6 | - |
| Ieoc Exploration BV | - | - | 2 | - | - | - | - |
| Ieoc Production BV | 15 | - | - | - | - | 76 | - |
| Naoc - Nigerian Agip Oil Co Ltd | 76 | 69 | - | - | - | 103 | - |
| Nigerian Agip Exploration Ltd | - | 2 | - | - | - | 8 | - |
| Versalis SpA | 3 | - | 23 | - | - | 11 | - |
| Other (for transactions not exceeding €500 thousand) | - | - | - | - | - | - | - |
| **Total companies controlled by Eni/CDP Industria SpA** | **182** | **110** | **132** | **-** | **44** | **745** | **-** |

(1) The item "Services" includes costs for services, costs for the use of third party assets and other charges and the reversals of impairment losses (impairment losses) of trade receivables and other assets.
(2) Revenue from limited liability consortium companies refer to the retrocession of fees that these companies invoice to the client and that on the basis of the consortium nature of the investee company are attributed to the consortium partner.

Trade and other transactions during 2019 consisted of the following:

(€ million)

| Name | Dec. 31, 2019 Trade receivables and other assets | Trade payables, other liabilities and contract liabilities | Guarantees | 2019 Expenses Goods | Services [1] | Revenues Goods and services | Other |
|---|---|---|---|---|---|---|---|
| **Eni/CDP Industria SpA associates and jointly-controlled companies** | | | | | | | |
| Blue Stream Pipeline Co BV | - | - | - | - | - | 1 | - |
| Greenstream BV | 1 | - | - | - | - | 2 | - |
| Mellitah Oil&Gas BV | 9 | - | 32 | - | - | 19 | - |
| Mozambique Rovuma Venture SpA (ex Eni East Africa SpA) | 25 | - | - | - | - | 33 | - |
| Petrobel Belayim Petroleum Co | 190 | 66 | 394 | - | - | 1,158 | - |
| PetroJunìn SA | - | - | 2 | - | - | - | - |
| Raffineria di Milazzo | 1 | 3 | - | - | - | 5 | - |
| Other (for transactions not exceeding €500 thousand) | - | - | - | - | - | - | - |
| **Total Eni/CDP Industria SpA associates and jointly-controlled companies** | **226** | **69** | **428** | **-** | **-** | **1,218** | **-** |
| **Total Eni/CDP Industria SpA companies** | **408** | **179** | **560** | **-** | **44** | **1,963** | **-** |
| **Companies controlled or owned by the State** | **21** | **22** | **70** | **-** | **9** | **33** | **-** |
| **Total related party transactions** | **813** | **746** | **942** | **-** | **271** | **2,362** | **1** |
| **Overall total** | **2,601** | **4,376** | **7,234** | **1,815** | **4,444** | **9,099** | **19** |
| **Incidence** (%) | **31.26** | **17.05** | **13.02** | **0.00** | **6.10** | **25.96** | **5.26** |

(1) The item "Services" includes costs for services, costs for the use of third party assets and other charges and the reversals of impairment losses (impairment losses) of trade receivables and other assets.

Trade and other transactions during 2020 consisted of the following:

(€ million)

| Name | Dec. 31, 2020 Trade receivables and other assets | Trade payables, other liabilities and contract liabilities | Guarantees | 2020 Expenses Goods | Services [1] | Revenues Goods and services | Other |
|---|---|---|---|---|---|---|---|
| **Unconsolidated subsidiaries** | | | | | | | |
| Smacemex Scarl | 5 | 4 | - | - | - | - | - |
| Other (for transactions not exceeding €500 thousand) | - | - | - | - | - | - | - |
| **Total unconsolidated subsidiaries** | **5** | **4** | **-** | **-** | **-** | **-** | **-** |
| **Joint ventures and associates** | | | | | | | |
| ASG Scarl [2] | 1 | (3) | - | - | - | - | - |
| CCS JV Scarl [2] | 172 | 469 | - | - | 668 | 823 | - |
| CEPAV (Consorzio Eni per l'Alta Velocità) Due [2] | 51 | 215 | 315 | - | 93 | 104 | - |
| CEPAV (Consorzio Eni per l'Alta Velocità) Uno [2] | - | 1 | 60 | - | 1 | 1 | - |
| Gydan Lng Snc | 10 | - | - | - | - | 14 | - |
| Gygaz Lng Snc | 2 | - | - | - | - | 2 | - |
| KWANDA Suporte Logistico Lda | 3 | 4 | - | - | 2 | 3 | - |
| Novartic | 8 | - | - | - | - | 8 | - |
| Petromar Lda | 9 | 1 | - | - | 1 | 7 | - |
| PSS Netherlands BV | 27 | 9 | - | - | - | 60 | - |
| Saipem Taqa Al Rushaid Fabricators Co Ltd | 13 | 11 | - | - | (2) | 1 | - |
| Saipon Snc | 1 | - | - | - | - | - | - |
| Saren BV | 21 | 19 | - | 1 | - | 71 | - |
| SCD JV Scarl [2] | 49 | 39 | - | (16) | 20 | 25 | - |
| TSGI Mühendislik İnşaat Ltd Şirketi | 17 | - | - | - | - | 2 | - |
| Other (for transactions not exceeding €500 thousand) | - | - | - | - | - | - | - |
| **Total joint ventures and associates** | **384** | **765** | **375** | **(15)** | **783** | **1,121** | **-** |

(1) The item "Services" includes costs for services, costs for the use of third party assets and other charges and the reversals of impairment losses (impairment losses) of trade receivables and other assets.
(2) Revenue from limited liability consortium companies refer to the retrocession of fees that these companies invoice to the client and that on the basis of the consortium nature of the investee company are attributed to the consortium partner.

Trade and other transactions during 2020 consisted of the following:

(€ million)

| | Dec. 31, 2020 | | | 2020 | | | |
|---|---|---|---|---|---|---|---|
| | | | | Expenses | | Revenues | |
| Name | Trade receivables and other assets | Trade payables, other liabilities and contract liabilities | Guarantees | Goods | Services [1] | Goods and services | Other |
| **Companies controlled by Eni/CDP Industria SpA** | | | | | | | |
| Eni SpA [2] | 24 | 4 | 19 | 3 | 2 | 69 | - |
| Ecofuel | - | - | - | - | - | 1 | - |
| Eni Angola SpA | 10 | - | 42 | - | - | 137 | - |
| Eni Benelux BV | - | - | - | 1 | - | - | - |
| Eni Congo SA | 15 | 6 | 2 | - | 1 | 31 | - |
| Eni East Sepinggan Ltd | 22 | 2 | 11 | - | - | 49 | - |
| Eni Gas e Luce SpA | - | - | - | - | 1 | - | - |
| Eni Ghana E&P | - | - | 2 | - | - | 11 | - |
| Eni Iraq BV | - | - | 2 | - | - | - | - |
| Eni México, S. de R.L. de Cv | 7 | - | - | - | - | 33 | - |
| Eni Muara Bakau BV | - | - | - | - | - | 1 | - |
| Eni North Africa BV | 1 | - | - | - | - | 2 | - |
| EniProgetti SpA | 1 | - | - | - | - | 4 | - |
| EniServizi SpA | - | (1) | - | - | 17 | - | - |
| Floaters SpA | 1 | - | - | - | - | 6 | - |
| Ieoc Exploration BV | - | - | 2 | - | - | - | - |
| Ieoc Production BV | - | - | - | - | - | 12 | - |
| Naoc - Nigerian Agip Oil Co Ltd | 12 | 19 | - | - | - | 43 | - |
| Nigerian Agip Exploration Ltd | - | - | - | - | - | 2 | - |
| Versalis SpA | 2 | - | 11 | - | - | 15 | - |
| Other (for transactions not exceeding €500 thousand) | - | - | - | - | - | - | - |
| **Total companies controlled by Eni/CDP Industria SpA** | **95** | **30** | **91** | **4** | **21** | **416** | **-** |
| **Eni/CDP Industria SpA associates and jointly-controlled companies** | | | | | | | |
| Blue Stream Pipeline Co BV | - | - | - | - | - | 1 | - |
| Greenstream BV | - | - | - | - | - | 3 | - |
| Mellitah Oil&Gas BV | - | - | 2 | - | 9 | 1 | - |
| Mozambique Rovuma Venture SpA (ex Eni East Africa SpA) | 3 | - | - | - | - | 60 | - |
| Petrobel Belayim Petroleum Co | 23 | 5 | 267 | - | - | 262 | - |
| PetroJunìn SA | - | - | 2 | - | - | - | - |
| Raffineria di Milazzo | 1 | - | 1 | - | - | 5 | - |
| Var Energy AS | 11 | - | - | - | - | 26 | - |
| Other (for transactions not exceeding €500 thousand) | - | - | - | - | - | - | - |
| **Total Eni/CDP Industria SpA associates and jointly-controlled companies** | **38** | **5** | **272** | **-** | **9** | **358** | **-** |
| **Total Eni/CDP Industria SpA companies** | **133** | **35** | **363** | **4** | **30** | **774** | **-** |
| **Companies controlled or owned by the State** | **56** | **25** | **50** | **-** | **10** | **26** | **-** |
| **Total related party transactions** | **578** | **829** | **788** | **(11)** | **823** | **1,921** | **-** |
| **Overall total** | **1,991** | **4,079** | **7,019** | **1,538** | **3,758** | **7,342** | **66** |
| **Incidence** (%) | **29.03** | **20.32** | **11.23** | **(0.72)** | **21.90** | **26.16** | **0.00** |

(1) The item "Services" includes costs for services, costs for the use of third party assets and other charges and the reversals of impairment losses (impairment losses) of trade receivables and other assets.
(2) The item "Eni SpA" includes also the transactions with Eni SpA Exploration & Production Division, Eni SpA Gas & Power Division, Eni SpA Refining & Marketing Division.

The figures shown in the tables refer to Note 10 "Trade receivables and other assets", Note 19 "Trade payables, other liabilities and contract liabilities", Note 29 "Guarantees, commitments and risks", Note 30 "Revenue (core business revenue and other revenue and income)", and Note 31 "Operating expenses (purchases, services and other costs)".
The Saipem Group provides services to Eni Group companies in all sectors in which it operates, both in Italy and abroad.
Existing relations with entities controlled or owned by the State are mainly in relation to the Snam Group.

Other transactions consisted of the following:

| (€ million) | Dec. 31, 2019 Other assets | Dec. 31, 2019 Other liabilities | Dec. 31, 2020 Other assets | Dec. 31, 2020 Other liabilities |
|---|---|---|---|---|
| CCS JV Scarl | - | - | 14 | - |
| CEPAV (Consorzio Eni per l'Alta Velocità) Uno | 1 | - | - | - |
| Other (for transactions not exceeding €500 thousand) | - | - | 1 | - |
| **Total related party transactions** | **1** | **-** | **15** | **-** |
| **Overall total** | **170** | **46** | **333** | **37** |
| **Incidence** (%) | **0.59** | **-** | **4.50** | **-** |

## Financial transactions

Financial transactions, excluding net lease liabilities, for 2019 consisted of the following:

(€ million)

| Name | Dec. 31, 2019 Cash and cash equivalents | Dec. 31, 2019 Loan assets [1] | Dec. 31, 2019 Loans and borrowings | Dec. 31, 2019 Commitments | 2019 Expenses | 2019 Income | 2019 Derivative financial instruments |
|---|---|---|---|---|---|---|---|
| CCS JV Scarl | - | 146 | - | - | - | - | - |
| Saipem Taqa Al Rushaid Fabricators Co Ltd | - | - | - | - | - | 1 | - |
| Serfactoring SpA | - | 2 | - | - | - | - | - |
| Other (for transactions not exceeding €500 thousand) | - | - | 1 | - | - | - | - |
| **Total related party transactions** | **-** | **148** | **1** | **-** | **-** | **1** | **-** |

(1) Shown in the statement of financial position under "Other current financial assets".

Financial transactions, excluding net lease liabilities, for 2020 consisted of the following:

(€ million)

| Name | Dec. 31, 2020 Cash and cash equivalents | Dec. 31, 2020 Loan assets [1] | Dec. 31, 2020 Loans and borrowings | Dec. 31, 2020 Commitments | 2020 Expenses | 2020 Income | 2020 Derivative financial instruments |
|---|---|---|---|---|---|---|---|
| CCS JV Scarl | - | 320 | - | - | - | 1 | - |
| Saipon Snc | - | - | 1 | - | - | - | - |
| SCD JV Scarl | - | 12 | - | - | - | - | - |
| Serfactoring SpA | - | 2 | - | - | - | - | - |
| Other (for transactions not exceeding €500 thousand) | - | - | - | - | - | 1 | - |
| **Total related party transactions** | **-** | **334** | **1** | **-** | **-** | **2** | **-** |

(1) Shown in the statement of financial position under "Other current financial assets".

The incidence of financial transactions and positions with related parties was as follows:

| (€ million) | Dec. 31, 2019 Total | Dec. 31, 2019 Related parties | Dec. 31, 2019 Incidence % | Dec. 31, 2020 Total | Dec. 31, 2020 Related parties | Dec. 31, 2020 Incidence % |
|---|---|---|---|---|---|---|
| Current financial liabilities | 164 | 1 | 0.61 | 257 | 1 | 0.39 |
| Non-current financial liabilities (including current portion) | 2,914 | - | - | 2,778 | - | - |
| **Total** | **3,078** | **1** | **-** | **3,035** | **1** | **-** |

| (€ million) | 2019 Total | 2019 Related parties | 2019 Incidence % | 2020 Total | 2020 Related parties | 2020 Incidence % |
|---|---|---|---|---|---|---|
| Financial income | 515 | 1 | 0.19 | 465 | 2 | 0.43 |
| Financial expense | (643) | - | - | (691) | - | - |
| Derivative financial instruments | (82) | - | - | 60 | - | - |
| Other operating income (expense) | - | - | - | (1) | - | - |
| **Total** | **(210)** | **1** | **-** | **(167)** | **2** | **-** |

## Financial lease transactions

Financial lease transactions as of December 31, 2019 consisted of the following:

(€ million)

| | Dec. 31, 2019 | | | 2019 | | |
|---|---|---|---|---|---|---|
| Name | Cash and cash equivalents | Loan assets | Loans and borrowings | Commitments | Expenses | Income |
| Eni SpA | - | - | 1 | - | - | - |
| Consorzio F.S.B. | - | - | 2 | - | - | - |
| **Total related party transactions** | **-** | **-** | **3** | **-** | **-** | **-** |

The incidence of transactions or positions with related parties relating to financial lease transactions is as follows:

| | Dec. 31, 2019 | | |
|---|---|---|---|
| (€ million) | Total | Related parties | Incidence % |
| Long-term leases liabilities (including portion of short-term leases) | 626 | 3 | 0.48 |
| **Total** | **626** | **3** | |

Financial lease transactions as of December 31, 2020 consisted of the following:

(€ million)

| | Dec. 31, 2020 | | | 2020 | | |
|---|---|---|---|---|---|---|
| Name | Cash and cash equivalents | Loan assets | Loans and borrowings | Commitments | Expenses | Income |
| Eni SpA | - | - | 1 | - | - | - |
| Consorzio F.S.B. | - | - | 1 | - | - | - |
| **Total related party transactions** | **-** | **-** | **2** | **-** | **-** | **-** |

The incidence of transactions or positions with related parties relating to financial lease transactions is as follows:

| | Dec. 31, 2020 | | |
|---|---|---|---|
| (€ million) | Total | Related parties | Incidence % |
| Long-term leases liabilities (including portion of short-term leases) | 421 | 2 | 0.48 |
| **Total** | **421** | **2** | |

The main cash flows with related parties were as follows:

| (€ million) | Dec. 31, 2019 | Dec. 31, 2020 |
|---|---|---|
| Revenue and income | 2,363 | 1,921 |
| Costs and other expenses | (271) | (812) |
| Financial income (expenses) and derivatives | 1 | 2 |
| Change in trade receivables and payables | 348 | 318 |
| **Net cash flows from operating activities** | **2,441** | **1,429** |
| Change in loan assets | (146) | (186) |
| **Net cash flows from investing activities** | **(146)** | **(186)** |
| Change in loans and borrowings | 1 | - |
| **Net cash flows from financing activities** | **1** | **-** |
| **Total cash flows with related parties** | **2,296** | **1,243** |

The incidence of cash flows with related parties was as follows:

| | Dec. 31, 2019 | | | Dec. 31, 2020 | | |
|---|---|---|---|---|---|---|
| (€ million) | Total | Related parties | Incidence % | Total | Related parties | Incidence % |
| Cash flows from operating activities | 1,257 | 2,441 | 194.19 | 123 | 1,429 | 1,161.79 |
| Cash flows from investing activities | (516) | (146) | 28.29 | (463) | (186) | 40.17 |
| Cash flows from financing activities (*) | (1) | 1 | 100.00 | (153) | - | - |

(*) Cash flows from financing activities do not include dividends distributed, net repurchases of treasury shares or capital contributions by non-controlling interests and the purchase of additional interests in consolidated subsidiaries.

## Information on jointly controlled entities

Jointly-controlled companies classified as joint operations do not have a significant value.

## 39 Significant non-recurring events and operations

The current COVID-19 ("Coronavirus") pandemic has had a significant effect on the global economy and consequently on the Saipem Group. For more information on the effects of the pandemic and the containment measures put in place, see "Effects of COVID-19 on the basis of presentation including going concern" in Note 3 "Accounting estimates and significant judgements".

## 40 Transactions deriving from atypical or unusual transactions

In 2019 and 2020, no atypical and unusual transactions were reported.

## 41 Outlook and events after the reporting period

2021 started as a year of uncertainty, due, on the one hand, to the ongoing pandemic and the concern for the variants of the virus, while on the other hand, to the expectations linked to the discovery and distribution of the vaccines.
However, Saipem is solid with a large order book, a strong financial structure and attractive business prospects both traditional sectors and in those related to energy transition, not to mention the important role it intends to play in the context of investments related to the post pandemic recovery programmes launched by the EU.
The business scenario for 2021 will remain affected by the pandemic, especially in the first half of the year. For this reason, the Company is currently unable to provide a timely financial guidance. The volumes of the year and beyond are well supported by the large order book, whose mix of projects and operational progress allows to predict for 2021 an adjusted EBITDA similar to that of 2020.
New initiatives to reduce overhead have been launched on structural costs for about €30 million in 2021, in addition to the savings of 2020.
The capital expenditure expected for 2021 amounts to around €450 million.
Beyond 2021, as the vaccination campaign continues and execution of projects progresses, combined with efficiencies and a further resumption of commercial activity, an increase of the adjusted EBITDA is expected, together with a resumption of the path of reducing net financial debt.
This scenario does not take account of a further and possible significant deterioration of the macroeconomic environment and of business as a result, for example, of the intensification of the COVID-19 pandemic.
Saipem advances further in its ESG programme and is committed to reducing greenhouse gas (GHG) emissions, scope 1 and 2, by 50% within 2035, a decisive step towards the achievement of a net-zero carbon profile in the future.

### Authorisation to purchase and dispose of treasury shares to service the incentive plans

On March 12, 2021, the Board of Directors resolved, following a proposal of the Compensation and Nomination Committee, to submit the following proposals to the Ordinary Shareholders' Meeting, which will be held on April 30, for authorisation to purchase treasury shares:
- up to a maximum of 3,500,000 ordinary shares and, in any case, for a maximum amount of €9,800,000, to be assigned to the 2022 cycle of the short-term Incentive Plan 2021-2023;
- up to a maximum of 22,000,000 ordinary shares and, in any case, for a maximum amount of €61,400,000, to be assigned to the 2021 cycle of the long-term Incentive Plan 2019-2021.

The authorisations for the repurchase of treasury shares are requested for a period of eighteen months from the date of the resolution of the Shareholders' Meeting.

### New contracts

As announced on February 1, 2021, Saipem has been awarded a new contract for the offshore wind farm Courseulles-sur-Mer, in Normandy, France, by Eoliennes Offshore du Calvados SAS (EODC). The aim of the project includes the design, construction and installation work of 64 steel foundations for an equivalent number of wind turbines.
In addition, during the first quarter of 2021, Saipem has been awarded a new contract related to the North Field Production Sustainability Pipelines Project on behalf of Qatargas in Qatar peninsula. The additional contract ("EPCL" package) entails the Engineering, Procurement, Construction, and Installation (EPCI) of offshore export trunklines and related onshore tie-in works and is part of the development of the North Field production plateau, which also includes the EPCI of offshore facilities ("EPCO" package) previously awarded to Saipem in February.
Lastly, Saipem has been awarded a Consultancy Service Contract by Libya National Oil Corp (NOC) for the development of the Benghazi Oil Technical Center (BOTC). The Center will be designed with best-in class facilities and technologies to serve the Libyan oil and gas market and other critical industries.

### New issuance of senior, unsecured fixed rate notes

On March 23, 2021, Saipem successfully issued a new fixed rate bond with maturity March 31, 2028 for a total amount of €500 million.
The notes, issued by Saipem Finance International BV under the EMTN Programme (Euro Medium Term Note Programme), pay a fixed annual coupon of 3.125% with a re-offer price of 100%.
The notes were purchased by institutional investors mainly located in Italy, France, United Kingdom and Germany and will be listed on the Euro MTF of the Luxembourg Stock Exchange.

## 42 Obligations regarding transparency and disclosure. Italian Law August 4, 2017, No. 124 (Article 1, sections 125-129)

During 2020, Saipem SpA and the Italian companies in the sector received no public funds pertaining to application of Law No. 124/2017 (Article 1, sections 125-129) and subsequent amendments.
In particular, the following do not pertain to the sector of application of the above-mentioned law:(i) forms of incentive/grants received in application of a general scheme of aid to all those having the right; (ii) fees applied to the provision of works/services, including sponsorships; (iii) reimbursements and indemnities paid to persons engaged in training and orientation courses; (iv) contributions received for continuous training by interprofessional funds established in the legal form of associations; (v) membership dues for belonging to associations of the category and territorial associations, also in favour of foundations or equivalent organisations, functional to the activities connected with the company business. The contributions are identified according to the cash criterion.
The information referring to the sector of application of the above-mentioned law includes contributions for amounts in excess of €10,000 made by the same party during 2020, also via several deeds.

# INFORMATION REGARDING CENSURE BY CONSOB PURSUANT TO ARTICLE 154-*TER*, SUBSECTION 7, OF LEGISLATIVE DECREE NO. 58/1998 AND THE NOTICE FROM THE CONSOB OFFICES DATED APRIL 6, 2018

On January 30, 2018, Consob, having concluded its inspection commenced on November 7, 2016 (which ended on October 23, 2017) and about which Saipem gave information in the Annual Report 2016, has informed Saipem that it has detected non compliances in "the Annual Report 2016, as well as in the Interim Consolidated Report as of June, 30 2017" with the applicable international accounting standards (IAS 1 "Presentation of Financial Statements"; IAS 34 "Interim Financial Reporting"; IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors", par. 5, 41 and 42; IAS 36 "Impairment of Assets", par. 31, 55-57) and, consequently, has informed Saipem about the commencement "of proceedings for the adoption of measures pursuant to Article 154-*ter*, subsection 7, of Legislative Decree No. 58/1998".
With notes of February 13 and 15, 2018, the Company transmitted to Consob its own considerations in relation to the remarks formulated by the offices of Consob, highlighting the reasons for which it does not share such remarks.
On March 2, 2018, the Commission of Consob, partially accepting the remarks of the offices of Consob, informed Saipem of its own Resolution No. 20324 (the "Resolution"), with which it ascertained the "non-compliance of Saipem's Annual Report 2016 with the regulations governing their preparation", without censuring the correctness of the Interim Consolidated Report as of June 30, 2017.
According to the Resolution, the non-compliance of Saipem's Annual Report 2016 with the regulations which govern its preparation, concerns in particular: (i) the incorrect application of the accrual basis of accounting affirmed by IAS 1; (ii) the non-application of IAS 8 in relation to the correction of errors with reference to the financial statements of 2015; and (iii) the estimation process of the discount rate pursuant to IAS 36.
Consob has therefore asked the Company, pursuant to Article 154-*ter,* subsection 7, of Legislative Decree No. 58 of 1998, to disclose the following elements of information to the markets:

(A) the weaknesses and non-compliance identified by Consob in relation to the accounting correctness of the financial statements mentioned above;
(B) the applicable international accounting standards and the violations detected in relation thereto;
(C) the illustration, in an appropriate pro forma consolidated income statements and balance sheet – with comparative data – of the effects that accounting in compliance with the regulations would have produced on 2016 balance sheet, income statement and shareholders' equity, for which incorrect information was supplied.

A. Weaknesses and non-compliance identified by Consob regarding the correctness of accounting in the consolidated and statutory financial statements of 2016.
   The weaknesses and non-compliance identified by Consob with regard to the 2016 consolidated and statutory financial statements can be substantially attributed to the following two items:
   (a) non-compliance of the "2016 consolidated and statutory Saipem SpA financial statements with reference to the comparative data for 2015";
   (b) non-compliance of the process of estimation of the discount rate underpinning the 2016 impairment test with IAS 36 which requires that the Company must "apply the appropriate discount rate to [...] future cash-flows".

   With regard to point (a), the contestation concerns the non-compliance of the 2016 consolidated and statutory financial statements with:
   (i) IAS 1, par. 27, according to which "an entity shall prepare its financial statements, except for cash flow information, using the accrual basis of accounting" and par. 28, according to which "when the accrual basis of accounting is used, an entity recognises items as assets, liabilities, equity, income and expenses (the elements of financial statements) when they satisfy the definitions and recognition criteria for those elements in the Framework"; and
   (ii) IAS 8, par. 41, according to which "[...], material errors are sometimes not discovered until a subsequent period, and these prior period errors are corrected in the comparative information presented in the financial statements for that subsequent period" and par. 42 according to which "the entity shall correct the material prior period errors retrospectively in the first financial statements authorised for issue after their discovery by: (a) restating the comparative amounts for the year/years prior to the one in which the error occurred [...]".

   In substance, in Consob's opinion, the circumstances at the basis of some of the impairment losses recognised in the 2016 financial statements already existed, wholly or in part, when preparing 2015 financial statements. Indeed, Consob alleges that the Company approved 2016 consolidated and statutory financial statements without having corrected the "material errors" contained in the consolidated and statutory financial statements of the previous administrative period, in relation to the following items:
   > "property, plant and equipment";
   > "inventories";
   > "tax assets".

   With regard to point sub (b), Consob alleges that the Company, for the purposes of the impairment test: (i) used a single rate to discount business unit cash flows, characterised by a different risk profile; (ii) did not consider the country risk in relation to some assets operating in specific geographical areas over a long period of time; (iii) did not take into account the changes in the Company risk profile subsequent to the transaction that determined the deconsolidation of Saipem from the Eni Group.

B. The applicable accounting standards and the violations encountered in relation thereto.
Consob holds that the 2016 consolidated and statutory financial statements of Saipem at December 31, 2016, were not compliant with the following standards: IAS 1, IAS 8 and IAS 36.
Specifically, Consob has observed that the Company approved the 2016 consolidated and statutory financial statements without having corrected the "material errors" contained in the consolidated and statutory financial statements of the previous period, in relation to the following items:
- "property, plant and equipment";
- "inventories";
- "tax assets".

With reference to the item "property, plant and equipment" at December 31, 2015, Consob alleges the incorrect application of IAS 16 "Property, plant and equipment" and of IAS 36.
Specifically, Consob alleges that some impairment losses carried out by the Company on "property, plant and equipment" in the 2016 consolidated financial statements should have been accounted for, at least in part, in the previous year.
In particular Consob alleges:
(i) the incorrect application of IAS 36 with reference to the impairment test of some assets recognised as "property, plant and equipment" of the Offshore Drilling business unit and with respect to the assets recognised in the Offshore and Onshore Engineering & Construction business units. Consob's remarks refers to the methods used to estimate cash flows expected from the use of said assets for the purposes of the application of the impairment test with respect to 2015 and specifically to the incorrect application of IAS 36: (a) par. 33, lett. a), according to which "in measuring value in use an entity shall: (a) base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight shall be given to external evidence"; (b) par. 34 in the part that requires that management assesses the reasonableness of the assumptions on which its current cash flow projections are based by examining the causes of differences between past cash flow projections and actual cash flows. Management shall ensure that the assumptions on which its current cash flow projections are based are consistent with past actual outcomes, provided the effects of subsequent events or circumstances that did not exist when those actual cash flows were generated make this appropriate; (c) par. 35 in the part that refers to the approach to be followed when use is made of cash flow projections over a period longer than five years, highlighting that said approach is allowed "if [the entity] is confident that these projections are reliable and it can demonstrate its ability, based on past experience, to forecast cash flows accurately over that longer period";
(ii) the incorrect application of IAS 16, paragraphs 51, 56 and 57 with reference to the residual useful life of some assets registered as "property, plant and equipment" of the Onshore Drilling business unit, of the Offshore Engineering & Construction business unit and of the Onshore Engineering & Construction business unit. Consob's remarks concern the circumstances that the review of the estimation of the residual useful life of assets cited (reported in the 2016 financial statements) should have already been done in the financial year 2015. Specifically, Consob alleges that IAS 16: (a) par. 51 was not correctly applied in the part that requests that "the residual value and the useful life of an asset shall be reviewed at least at each financial year-end and, if expectations differ from previous estimates, the change(s) shall be accounted for as a change in an accounting estimate in accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors"; (b) par. 56 in the part that requires that "the future economic benefits embodied in an asset are consumed by an entity principally through its use. However, other factors, such as technical or commercial obsolescence and wear and tear while an asset remains idle, often result in the diminution of the economic benefits that might have been obtained from the asset" [...]; par. 57 in the part that requires that "the useful life of an asset is defined in terms of the asset's expected utility to the entity. The asset management policy of the entity may involve the disposal of assets after a specified time or after consumption of a specified proportion of the future economic benefits embodied in the asset. Therefore, the useful life of an asset may be shorter than its economic life. The estimation of the useful life of the asset is a matter of judgement based on the experience of the entity with similar assets".

As a consequence of the above mentioned remarks, Consob likewise does not agree with the recognition of the impairment losses included in the 2016 consolidated and statutory financial statements with reference to some inventories and to a deferred tax asset related to the items criticised by Consob for which the items of the impairment loss according to Consob should have been accounted for in 2015.
Consob notes in this regard:
(i) IAS 2, par. 9, that "inventories shall be measured at the lower of cost and net realisable value" and at par. 30 that "estimates of net realisable value are based on the most reliable evidence available at the time the estimates are made, of the amount the inventories are expected to realise";
(ii) IAS 12 in the part that requires at par. 34 that "a deferred tax asset shall be recognised for the carryforward of unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilised" and that "to the extent that it is not probable that taxable profit will be available against which unused tax losses or unused tax credits can be utilised, the deferred tax asset is not recognised".

Furthermore, Consob criticises the process of estimating the discount rate at the base of the impairment test for 2016 in so far as it is characterised by an approach that is not compliant with IAS 36 which requires that the Company "shall apply the appropriate discount rate to the future cash flows". More precisely, with respect to 2016 Consob does not agree with the approach taken by the Company, i.e., with reference to the execution of the impairment test it: (i) has used a single rate to discount cash flows of different business units which are characterised by different risk profiles; (ii) has not considered the country risk in relation to some assets operating in specific geographical areas over a long period of time.

In relation to the above, Consob also alleges the violation of the principle of correct representation of the company's situation which would not guarantee the observance of fundamental assumptions and qualitative characteristics of information.
Consob believes, in fact, that the importance of the errors and the significance of the shortcomings can likewise determine the non-compliance of the aforementioned financial statements with the requirements of reliability, prudence and completeness, pursuant to IAS 1.

C. Illustration, in appropriate pro-forma consolidated statement of financial position and income statement – supported by comparative data – of the effects that accounting in compliance with the regulations would have produced on the company's financial position and on equity at December 31, 2016 and the income statement for the year then ended, for which incorrect information was supplied.
While not sharing the judgement of non-compliance of the 2016 consolidated and statutory financial statements put forward by Consob in its Resolution, Saipem points out that the 2016 consolidated and statutory financial statements of the Company were approved by the Board of Directors on March 16, 2017 and by the Shareholders' Meeting on April 28, 2017 and were subject to audit pursuant to Legislative Decree No. 39 of January 27, 2010 and the report was issued on April 3, 2017.
In addition, with the press release of March 6, 2018, Saipem reported that "the Board of Directors of Saipem, in disagreement with the Resolution of Consob, resolved on March 5, 2018 to appeal the Resolution in the competent courts".
In the press release dated March 21, 2018 Saipem reported that for the purposes of ensuring a correct interpretation, and in order to implement the findings of the Resolution, today the Company has filed a petition with Consob in order to obtain interpretative clarifications suitable for overcoming the technical and evaluation complexities related to the findings of the Authority and to be able, in this way, to inform the market correctly, reaffirming that it does not share – and has no intention of accepting – the judgement of non-compliance of the consolidated and statutory financial statements as at December 31, 2016.

On April 27, 2018, Saipem lodged an appeal with the Regional Administrative Court ("TAR") of Lazio requesting the annulment of the Resolution and of any other presumed or related act and/or provision.
On May 24, 2018, Saipem filed with the TAR-Lazio additional grounds for appeal against the aforementioned Resolution.
The date for the hearing before the TAR-Lazio has been scheduled for June 15, 2021.
On April 16, 2018, Saipem issued a press release regarding the pro forma consolidated income statements and statement of financial position as at December 31, 2016 for the sole purpose of complying with the Resolution.

On April 6, 2018, after the closure of the market, the Offices of the Italian securities market regulator Consob (Divisione Informazione Emittenti - Issuer Information Division) announced with their communication No. 0100385/18 (the "Communication"), that they started an administrative sanctioning procedure, claiming some violations pursuant to Articles 191 and 195 of Italian Legislative Decree No. 58/1998 (the "Financial Law"), relating to the offer documentation (Prospectus and Supplement to the Prospectus) made available to the public by Saipem on the occasion of its capital increase operation, which took place in January and February 2016. The alleged violations were exclusively addressed to the members of the Board of Directors and the Chief Financial Officer/Officer Responsible for Financial Reporting in office at that time.
The Offices of Consob, in communicating their allegations to the interested parties also pointed out that, if the alleged violations were ascertained by the Commission of Consob at the outcome of the procedure, said violations *"would be punishable by an administrative fine between €5,000 and €500,000"*.
Saipem received notice of the communication solely as guarantor ex lege for the payment *"of any economic fines that may eventually be charged to the company executives at the outcome of the administrative procedure"*.
The allegations follow Consob Resolution No. 20324 of March 2, 2018 (the "Resolution"), the content of which was communicated to the market by the Company with its press release of March 5, 2018. The Resolution – with which, as also communicated to the market, the Company disagreed and that it will appeal before the Regional Administrative Tribunal (TAR) of Lazio – alleged, among other things, *"the inconsistency of the assumptions and elements underlying the Strategic Plan for 2016-2019 with respect to the evidence at the disposal of the administrative bodies"*, as the indicators of possible impairment of value of the assets, later impaired by Saipem in its nine-month interim report as of September 30, 2016 would already have existed, in the opinion of Consob, at the time of approval of the consolidated financial statements of 2015.
With its Communication, the Offices of Consob have charged the company executives who, at the time of the capital increase, performed management functions, with the violations that are the subject of the Resolution and have already been communicated to the market, as stated above. The Offices of Consob further claim certain *"elements relative to the incorrect drafting of the declaration on the net working capital"* required by the standards in force applicable to the prospectus.
The foregoing would imply, according to the Offices of Consob, *"the inability of the offer documentation to ensure that the investors would be able to formulate a well-grounded opinion about the equity and financial position of the issuer, its economic results and prospects, pursuant to Article 94, sections 2 and 7, of the Financial Law, with regard to the information concerning: a) estimates of the Group's results for 2015 (Guidance 2015 and underlying assumptions)"; "b) forecast of the Group results drawn from the Strategic Plan for 2016-2019 and underlying assumptions"; "c) the declaration on the Net Working Capital"*.
Also according to the Offices of Consob, Saipem would have additionally omitted, in violation of Article 97, section 1 and Article 115, section 1, letter a), of the Financial Law, to report to Consob *"information pertaining to: (i) the assumptions underlying the declaration on its Net Working Capital; (ii) the availability of an updated "Eni Scenario" on the price of oil; and (iii) the existence of significant amendments to the assumptions underlying the Strategic Plan for 2016-2019"*. On July 4, 2018, Saipem, as guarantor ex lege for the payment *"of any fines that may eventually be charged to the company executives at the outcome of the administrative procedure"*, submitted its defence to Consob.
Saipem and all the company executives who have received the Communication have proceeded to file their defences with the Consob Offices.

Consob, with its Resolution No. 20828 of February 21, 2019, communicated to Saipem on March 12, 2019 and adopted at the outcome of the procedure for application of a fine initiated on April 6, 2018, applied the following fines: a) €200,000 on the company CEO; b) €150,000 on the Officer responsible for financial reporting in office at the time of the capital increase in 2016.
Consob also sentenced Saipem SpA to a payment of €350,000, as the party jointly liable for payment of the aforementioned administrative fines with the two persons fined pursuant to Article 195, section 9, of the Finance Law (in force at the time of the alleged violations), with obligation to recourse against the authors of the alleged breaches.
Consob ordered the filing of the procedure launched on April 6, 2018, against the non-executive Directors in office at the time of the facts alleged.
The Board of Directors of Saipem resolved on April 2, 2019 to appeal Resolution No. 20828 before the Court of Appeal.
A similar appeal was filed by the two individuals sanctioned under the Resolution, i.e. the Chief Executive Officer of Saipem SpA and the Chief Financial Officer and Officer responsible for Financial Reporting in office at the time of the events. The first hearing before the Milan Court of Appeal was held on November 13, 2019. On that day, the Milan Court of Appeal postponed the discussion on November 4, 2020.
On October 23, 2020 Saipem SpA and the two individuals sanctioned submitted an application to the Court of Appeal, to be allowed to file documents required to debate the appeal by November 4, 2020.
On November 2, 2020, the Court of Appeal authorised the filing of the documents requested on October 23, 2020 by the parties, also granting Consob a deadline to submit any counter-arguments on those documents by December 15, 2020 and postponed the hearing to discuss the appeal to January 27, 2021.
On January 20, 2021, Saipem SpA and the two individuals sanctioned presented a new application to the Court of Appeal, to be allowed to file additional documents required to debate the appeal by January 27, 2021 and to be authorised to propose new grounds for the appeal. which came to light when new documents were found.
On January 21, 2021, the Court of Appeal accepted the applications by Saipem and the individuals and authorised the filing of the documents requested on January 20, 2021. The Court also upheld the proposal of additional grounds, to be submitted through written filings by February 26, 2021, and also granted Consob the right to submit its counter filings by March 25, 2021. The hearing for the discussion will be held on April 21, 2021.

#### Ongoing investigations. Public Prosecutor's Office of Milan - 2015 and 2016 Financial Statements. Prospectus of the January 2016 capital increase

On January 22, 2019, the Public Prosecutor's Office of Milan notified Saipem SpA of a *"local search warrant and seize notice of investigation"*, in relation to the alleged administrative offence pursuant to Articles 5, 6, 7, 8 and 25-*ter* - lett. B), Legislative Decree No. 231/2001, based on the alleged crime of false accounting allegedly committed from April 2016 to April 2017, as well as in relation to the alleged unlawful administrative act pursuant to Articles 5, 6, 7, 8 and 25-*sexies* of Legislative Decree No. 231/2001, based on the alleged crime of manipulation of the market, allegedly committed from October 27, 2015 to April 2017.
At the same time, the Public Prosecutor's Office of Milan had notified the following individuals that they were under investigation: the Chief Executive Officer of the Company (appointed by Shareholders' Meeting on April 30, 2015 and on May 3, 2018), as well as, for various reasons, one manager and two former managers (the former Officer responsible for financial reporting in office until June 7, 2016 and the former Officer responsible for financial reporting in office until May 16, 2019). The investigation concerns the following offences: (i) false accounting relating to the 2015 and 2016 financial statements; (ii) manipulation of the market allegedly committed from October 27, 2015 to April 2017; and (iii) false statements in the Prospectus issued with reference to the documentation for the offer of the capital increase in January 2016.
On December 18, 2020, the Milan Public Prosecutor's Office served the notice of conclusion of the preliminary investigations to the Chief Executive Officer of the Company (appointed by Shareholders' Meeting on April 30, 2015 and on May 3, 2018), to a former executive (the officer responsible for financial reporting in office until June 7, 2016) and to Saipem SpA.
Saipem SpA is charged with reference to the hypothesis of an administrative offence referred to in Articles 5, 6, 7, 8 and 25-*ter* of Legislative Decree No. 231/2001 "for having failed to prepare an organisational model suitable to prevent the crimes of false accounting", pursuant to Article 2622 of the Italian Civil Code, allegedly committed from March 16, 2016 until July 27, 2016 with reference to the Financial Statements at December 31, 2015 and the Half-Year Report at June 30, 2016 and the administrative offence referred to in Articles 5, 6, 7, 8 and 25-*sexies* of Legislative Decree No. 231/2001 *"for having failed to prepare an organisational model suitable to prevent the crimes of false statements in the prospectus"*, pursuant to Article173-*bis* of Legislative Decree 58/98, and "market manipulation", pursuant to Article 185 of Legislative Decree No. 58/1998, allegedly committed from October 27, 2015 until July 27, 2016.
From the notice of conclusion of the preliminary investigations, the following offences are waged against the two individuals still under investigation (the Chief Executive Officer of the Company appointed by Shareholders' Meeting on April 30, 2015 and on May 3, 2018 and a former Executive who held the role of Executive Officer responsible for financial reporting in office until June 7, 2016): (i) false accounting pursuant to Article 2622 of the Italian Civil Code in relation to the Financial Statements at December 31, 2015 (with reference to both suspects) and the Half-Year Report at June 30, 2016 with reference only to the Chief Executive Officer of the Company appointed by Shareholders' Meeting on April 30, 2015 and on May 3, 2018); (ii) false statements in the Prospectus pursuant to Article 173-*bis* of Legislative Decree 58/98 with reference to both suspects, issued with reference to the documentation for the offer of the capital increase in January 2016, from January 22, 2016 to February 5, 2016; (iii) market manipulation pursuant to Article 185 of Legislative Decree No. 58/1998, allegedly committed by the Chief Executive Officer of the Company (appointed by Shareholders' Meeting on April 30, 2015 and on May 3, 2018) from October 27, 2015 to July 27, 2016 and by the CFO and Officer responsible for financial reporting in office until June 7, 2016 from October 27, 2015 until June 7, 2016.
On March 29, 2021, the Judge for the preliminary hearing of the Tribunal of Milan has notified to Saipem SpA that the preliminary hearing is scheduled for May 10, 2021, in relation to the alleged administrative offence pursuant to Articles 5, 6, 7, 8 and 25-*ter* - letter B) of Legislative Decree No. 231/2001, for failing to implement an organisational model capable of preventing the offence

of false accounting, allegedly committed from March 16, 2016 to July 27, 2016, as well as in relation to the alleged administrative offence pursuant to Articles 5, 6, 7, 8 e 25-*sexies* of Legislative Decree No. 231/2001, for failing to implement an organisational model capable of preventing the crimes of false statement in the prospectus and manipulation of the market, allegedly committed from October 27, 2015 to July 27, 2016.
This notification follows the issue of the notice of completion of the preliminary investigations and the subsequent request for indictment by the Public Prosecutor of Milan, notified together with the decree scheduling the preliminary hearing, against Saipem SpA, the Chief Executive Officer of the Company (appointed by Shareholders' Meeting on April 30, 2015 and on May 3, 2018) and a former executive of the Company (the CFO and Officer responsible for the Company's Financial Reporting in office until June 7, 2016).
The Public Prosecutor of Milan in the request for indictment alleges the following offences: (i) false accounting pursuant to Article 2622 of the Italian Civil Code relating to the Financial Statements at December 31, 2015, allegedly committed by both individuals, and the First Half Report at June 30, 2016 allegedly committed only by the Chief Executive Officer of the Company (appointed by Shareholders' Meeting on April 30, 2015 and on May 3, 2018); (ii) manipulation of the market pursuant to Article 185 of Legislative Decree No. 58/1998 allegedly committed by the Chief Executive Officer of the Company (appointed by Shareholders' Meeting on April 30, 2015 and on May 3, 2018) from October 27, 2015 to July 27, 2016 and by the CFO and Officer responsible for Financial Reporting in office until June 7, 2016 from October 27, 2015 until June 7, 2016; and (iii) false statement in the prospectus pursuant to Article 173-*bis* of Legislative Decree No. 58/1998 allegedly committed from January 22, 2016 until February 5, 2016 by both individuals with reference to the documentation for the offer of a capital increase in January 2016.

# CERTIFICATION OF THE CONSOLIDATE FINANCIAL STATEMENT PURSUANT TO ARTICLE 154-*BIS*, PARAGRAPH 5 OF LEGISLATIVE DECREE NO. 58/1998 (CONSOLIDATED TAX LAW)

1. The undersigned Stefano Cao and Stefano Cavacini in their capacity as CEO and Manager in charge of preparing the accounting and corporate documents of Saipem SpA, respectively, pursuant to Article 154-*bis*, paragraphs 3 and 4 of Legislative Decree No. 58 of February 24, 1998:
- adequate to the Company structure, and
- effectively applied during the process of preparation of the administrative and accounting procedures for the preparation of the consolidated financial statements during the 2020 financial year.

2. Internal controls over financial reporting in place for the preparation of the consolidated financial statements as of December 31, 2020 have been defined and the evaluation of their adequacy has been assessed based on principles and methodologies adopted by Saipem in accordance with the Internal Control - Integrated Framework Model issued by the Committee of Sponsoring Organisations of the Treadway Commission, which represents an internationally-accepted framework for the internal control system.

3. The undersigned officers also certify that:
   3.1 the consolidated financial statements as of December 31, 2020:
      a) were prepared in accordance with the evaluation and measurement criteria issued by the International Financial Reporting Standards endorsed by the European Union pursuant to European Regulation (CE) No. 1606/2002 of the European Parliament and European Council of July 19, 2002;
      b) correspond to the company's evidence and accounting books and entries;
      c) fairly represent the financial position, results of operations and cash flows of the Parent Company and the Group consolidated companies as of, and for, the period presented in this report;
   3.2 the Directors' Report provides a reliable analysis of business trends and results, including a trend analysis of the Parent and the consolidated companies, as well as a description of the main risks and uncertain situations to which they are exposed.

March 12, 2021

/signed/ Stefano Cao
Stefano Cao
CEO

/signed/ Stefano Cavacini
Stefano Cavacini
Manager responsible for the preparation
of the financial reports of Saipem SpA

# INDEPENDENT AUDITORS' REPORT

KPMG S.p.A.
Revisione e organizzazione contabile
Via Vittor Pisani, 25
20124 MILANO MI
Telefono +39 02 6763.1
Email it-fmauditaly@kpmg.it
PEC kpmgspa@pec.kpmg.it

**(Translation from the Italian original which remains the definitive version)**

## Independent auditors' report pursuant to article 14 of Legislative decree no. 39 of 27 January 2010 and article 10 of Regulation (EU) no. 537 of 16 April 2014

*To the shareholders of*
*Saipem S.p.A.*

### Report on the audit of the consolidated financial statements

#### *Opinion*

We have audited the consolidated financial statements of the Saipem Group (the "group"), which comprise the statement of financial position as at 31 December 2020, the income statement and the statements of comprehensive income, changes in equity and cash flows for the year then ended and notes thereto, which include a summary of the significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Saipem Group as at 31 December 2020 and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05.

#### *Basis for opinion*

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the "*Auditors' responsibilities for the audit of the consolidated financial statements*" section of our report. We are independent of Saipem S.p.A. (the "parent") in accordance with the ethics and independence rules and standards applicable in Italy to audits of financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KPMG

*Saipem Group*
*Independent auditors' report*
*31 December 2020*

## *Key audit matters*

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### *Revenue recognition and measurement of contract assets and liabilities*

*Notes to the consolidated financial statements: note 4 "Accounting estimates and significant judgements- Revenue, contract assets and contract liabilities" and note 30 "Revenue"*

| Key audit matter | Audit procedures addressing the key audit matter |
|---|---|
| The consolidated financial statements at 31 December 2020 include contract assets of €1,295 million, contract liabilities of €1,616 million and core business revenue of €7,342 million, which is also related to significant long-term contracts with customers for the performance of large projects that are complex from an engineering, technological and construction point of view.<br>Revenue from those projects is recognised over time, based on their stage of completion and using the cost-to-cost method.<br>Measuring contract assets and liabilities is based on significant estimates about the total contract revenue and costs and the related stage of completion which entail a high level of judgement by the directors. These estimates are affected by many factors, including:<br>— claims for additional consideration compared to that contractually agreed;<br>— the projects' long timeframe, size and engineering and operating complexity;<br>— the risk profile of certain countries in which the work is carried out.<br>These estimates, therefore, require a high level of directors' judgement that may significantly affect the recognition of revenue and the measurement of contract assets and liabilities.<br>Accordingly, we believe that the revenue recognition and measurement of contract assets and liabilities are a key audit matter. | Our audit procedures, which also involved our own specialists, included:<br>— understanding the process for the allocation of revenue from contract with customers and additional consideration, assessing the design and implementation of controls and performing procedures to assess the operating effectiveness of material controls;<br>— selecting a sample of contracts on which we performed, inter alia, the following procedures:<br>– analysing contracts with customers in order to check that the main contractual terms have been appropriately considered by management,<br>– analysing the reasonableness of the assumptions underlying the project budgets and forecasts through (i) discussions with group management and the individual contract managers to support the information obtained from historical analyses (ii) analysis of supporting documentation, including any correspondence with customers and suppliers and legal-technical opinions possibly expressed by external experts engaged by group management (iii) analysis of the most significant discrepancies between past years' estimates and actual figures;<br>— checking the recognition of costs and their allocation to the contracts in progress; |

2

*Saipem Group*
*Independent auditors' report*
*31 December 2020*

| Key audit matter | Audit procedures addressing the key audit matter |
|---|---|
| | — assessing the accuracy of the stage of completion calculation and the consequent recognition of revenue and contract assets and liabilities;<br>— assessing the appropriateness of the disclosures provided in the notes about revenue and contract assets and liabilities. |

***Provisions for risks and charges and contingent liabilities***

*Notes to the consolidated financial statements: note 4 "Accounting estimates and significant judgements - Provisions for risks and charges", note 23 "Provisions for risks and charges" and note 29 "Guarantees, commitments and risks - Legal proceedings"*

| Key audit matter | Audit procedures addressing the key audit matter |
|---|---|
| The consolidated financial statements at 31 December 2020 include provisions for risks and charges of €295 million.<br>The parent and certain group companies are involved in a number of legal proceedings and, when a liability is considered to be probable and its amount can be estimated reliably, group management makes the related provisions for risks and charges.<br>The process and methods for assessing the risk arising from the legal proceedings are complex and, by their very nature, entail a high level of judgement by group management, especially the evaluation of the uncertainty surrounding the outcome of the proceedings, the classification as provisions or liabilities and the appropriateness of the disclosures provided in the notes, including about possible liabilities.<br>For the above reasons, we believe that this issue is a key audit matter. | Our audit procedures, which also involved our own specialists, included:<br>— understanding the process for the assessment of legal proceedings and assessing the design and implementation of controls and procedures on the operating effectiveness of material controls;<br>— analysing the accounting policies used by the directors to estimate the outcome of significant legal proceedings;<br>— assessing management's evaluations of the proceedings and their reasonableness by checking the main internal documentation, related reports and any technical appraisals prepared by experts engaged by the directors, as well as through the information obtained from external and internal legal advisors and group management;<br>— exchanging information with the parent's *Collegio Sindacale*, control and risk committee, supervisory board and internal auditors;<br>— analysing the events after the reporting date that provide information useful for an assessment of the significant legal proceedings;<br>— assessing the appropriateness of the disclosures provided in the annual report about significant legal proceedings. |

*Saipem Group*
*Independent auditors' report*
*31 December 2020*

***Measurement of property, plant and equipment and intangible assets***

*Notes to the consolidated financial statements: note 4 "Accounting estimates and significant judgements - Impairment of non-financial assets and Leases", note 14 "Property, plant and equipment", note 15 "Intangible assets" and note 16 "Right-of-use-assets and lease assets and lease liabilities"*

| Key audit matter | Audit procedures addressing the key audit matter |
|---|---|
| The consolidated financial statements at 31 December 2020 include property, plant and equipment of €3,284 million, intangible assets of €701 million, including goodwill of €666 million, and right-of-use assets of €288 million.<br>The parent's directors have identified fifteen cash-generating units ("CGUs"): Offshore E&C, Onshore E&C, Xsight, Leased FPSO, Onshore drilling and ten vessels included in the Offshore drilling business segment.<br>The parent's directors allocated goodwill to the Offshore E&C CGU (€403 million), the Onshore E&C CGU (€231 million) and the Xsight CGU (€32 million).<br>Group management tests the carrying amounts of all CGUs for impairment whenever there are indicators of impairment, and of the CGUs that include goodwill at least annually, by comparing the individual CGU's estimated recoverable amount, calculated by discounting the expected cash flows using the discounted cash flow model, to the net capital employed allocated thereto.<br>The recoverable amounts of those assets is based on assumptions, sometimes complex, that entail a high level of judgement. They are based on the expected cash flows forecast in the 2021-2024 strategic plan approved by the parent's directors, as well as projections for future years.<br>The key assumptions underlying the expected cash flows forecast by the parent's directors relate to the future acquisition of orders, their profitability and the payments that the group will obtain by leasing its fleet of vessels, principally included in the Offshore drilling business segment.<br>For the above reasons, we believe that this issue is a key audit matter. | Our audit procedures, which also involved our own specialists, included:<br>— understanding the process adopted to prepare the impairment tests approved by the parent's directors;<br>— understanding the process adopted to prepare the forecasts from which the expected cash flows used for impairment testing have been derived;<br>— analysing the criteria used to identify the CGUs and the assets and liabilities allocated thereto;<br>— analysing the reasonableness of the key assumptions underlying the 2021-2024 strategic plan approved by the parent's directors, mainly through inquiries with the managers of the business segments that include the CGUs identified, analysis of the supporting documentation and comparison of expected orders to the order backlog;<br>— checking the consistency of the forecasts included in the 2021-2024 strategic plan approved by the parent's directors with the data underlying the expected cash flows used for impairment testing;<br>— checking any discrepancies between the previous year forecast and actual figures, in order to check the accuracy of the estimation process;<br>— analysing the reasonableness of the valuation methods and key assumptions used by the parent's directors, and especially:<br>- the application of the discounted cash flow model;<br>- the criteria and parameters used to calculate the discount rate applied to the projected cash flows and the long-term growth rate;<br>— checking the sensitivity analysis presented in the notes in relation to the |

4

*Saipem Group*
*Independent auditors' report*
*31 December 2020*

| Key audit matter | Audit procedures addressing the key audit matter |
| --- | --- |
| | key assumptions used for impairment testing;<br>— assessing the appropriateness of the disclosures provided in the notes about the measurement of property, plant and equipment, intangible assets and right-of-use assets. |

## Responsibilities of the parent's directors and board of statutory auditors ("Collegio Sindacale") for the consolidated financial statements

The directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05 and, within the terms established by the Italian law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the group's ability to continue as a going concern and for the appropriate use of the going concern basis in the preparation of the consolidated financial statements and for the adequacy of the related disclosures. The use of this basis of accounting is appropriate unless the directors believe that the conditions for liquidating the parent or ceasing operations exist, or have no realistic alternative but to do so.

The *Collegio Sindacale* is responsible for overseeing, within the terms established by the Italian law, the group's financial reporting process.

## Auditors' responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA Italia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISA Italia, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

— identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

*Saipem Group*
*Independent auditors' report*
*31 December 2020*

— obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control;

— evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;

— conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the group to cease to continue as a going concern;

— evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

— obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance, identified at the appropriate level required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the ethics and independence rules and standards applicable in Italy and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are, therefore, the key audit matters. We describe these matters in our auditors' report.

### *Other information required by article 10 of Regulation (EU) no. 537/14*

On 30 April 2019, the parent's shareholders appointed us to perform the statutory audit of its separate and consolidated financial statements as at and for the years ending from 31 December 2019 to 31 December 2027.

We declare that we did not provide the prohibited non-audit services referred to in article 5.1 of Regulation (EU) no. 537/14 and that we remained independent of the parent in conducting the statutory audit.

KPMG

***Saipem Group***
*Independent auditors' report*
*31 December 2020*

We confirm that the opinion on the consolidated financial statements expressed herein is consistent with the additional report to the *Collegio Sindacale*, in its capacity as audit committee, prepared in accordance with article 11 of the Regulation mentioned above.

## Report on other legal and regulatory requirements

### *Opinion pursuant to article 14.2.e) of Legislative decree no. 39/10 and article 123-bis.4 of Legislative decree no. 58/98*

The parent's directors are responsible for the preparation of the group's directors' report and report on corporate governance and ownership structure at 31 December 2020 and for the consistency of such reports with the related consolidated financial statements and their compliance with the applicable law.

We have performed the procedures required by Standard on Auditing (SA Italia) 720B in order to express an opinion on the consistency of the directors' report and the specific information presented in the report on corporate governance and ownership structure indicated by article 123-bis.4 of Legislative decree no. 58/98 with the group's consolidated financial statements at 31 December 2020 and their compliance with the applicable law and to state whether we have identified material misstatements.

In our opinion, the directors' report and the specific information presented in the report on corporate governance and ownership structure referred to above are consistent with the group's consolidated financial statements at 31 December 2020 and have been prepared in compliance with the applicable law.

With reference to the above statement required by article 14.2.e) of Legislative decree no. 39/10, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have nothing to report.

### *Statement pursuant to article 4 of the Consob regulation implementing Legislative decree no. 254/16*

The directors of Saipem S.p.A. are responsible for the preparation of a consolidated non-financial statement pursuant to Legislative decree no. 254/16. We have checked that the directors had approved such consolidated non-financial statement. In accordance with article 3.10 of Legislative decree no. 254/16, we attested the compliance of the non-financial statement separately.

Milan, 7 April 2021

KPMG S.p.A.

(signed on the original)

Cristina Quarleri
Director of Audit

7

Società per Azioni
Share Capital €2,191,384,693 fully paid up
Tax identification number and Milan, Monza-Brianza, Lodi
Companies' Register No. 00825790157

Headquarters: San Donato Milanese (Milan) - Italy
Via Martiri di Cefalonia, 67

Investor Relations
e-mail: investor.relations@saipem.com

Publications
Relazione finanziaria annuale (in Italian)
Annual Report (in English)

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

Ready for the transition - Enabling a green future
- Sustainability Report 2020 (in English)

Also available on Saipem's website:
www.saipem.com

Website: www.saipem.com
Operator: +39-0244231

Layout and supervision: Studio Joly Srl - Rome - Italy
Printing:

SAIPEM

**SAIPEM SpA**
Via Martiri di Cefalonia, 67
20097 San Donato Milanese (MI)

**SAIPEM.COM**