

# We build infrastructure that lasts in time and promotes sustainable development for current and future generations

## 2.1 Salini Impregilo's contribution to global challenges

By adopting the United Nation's Agenda 2030 on the SDGs (Sustainable Development Goals) and the Paris Agreement on Climate Change, three ambitious goals were defined globally: restarting **economic growth**, providing **inclusive development**, and fighting **climate change**.

Infrastructure projects built in accordance with sustainability criteria play a crucial role in achieving these goals and Salini Impregilo is a key partner in the global infrastructure market for public and private clients involved in realizing their own objectives and in the development of localities and their associated economies.

## 2.2 The contribution to economic growth

The direct relationship between infrastructure investment and domestic demand activation (consumption) as a lever for **economic growth** is widely known. The availability of infrastructure (energy, transport, telecommunications, etc.) contributes significantly to the reduction of production costs and higher productivity of the economy. The International Monetary Fund (IMF) estimated that in advanced economies, an additional investment in infrastructure equal to 1% of GDP on average produces a 1.5% increase of GDP over four years<sup>19</sup>. In emerging and developing economies, where infrastructure is often inadequate, the benefit for productivity and growth is even greater.

Construction companies engaged in building infrastructure can further affect this dynamic with their

<sup>19</sup> Source: Is it time for an infrastructure push? The macroeconomic effects of public investment, World Economic Outlook – International Monetary Fund, 2014

corporate policies. Salini Impregilo is oriented towards maximizing the multiplier effect of infrastructure investments in the areas where it operates, through the use of local suppliers and labour, vocational training, capacity building, and the development of initiatives benefiting local communities.

### Employment created by the Group's projects

The Group adopts a strategy focused on using labour from areas where the projects are located, whenever available in the quantities and with the skills required for implementing them. In 2016, Salini Impregilo employed in its projects a total workforce of about 59,600 units, taking into account both direct and indirect staff<sup>20</sup>, a 44% increase compared to 2015.

During 2016, 75% of our 34,440 direct employees (+13% compared to 2015) was made up of local staff, mainly deployed in our projects in Africa, followed by Asia, the Middle East, Oceania and North America.

The creation of job opportunities by Salini Impregilo in the countries where it operates plays a crucial role, since it improves the skills and expertise of local staff, especially in developing and emerging countries, as well as creating wealth in terms of wages paid, activating the local economy and increasing tax revenues. In particular, wages and benefits paid in 2016 amounted to €886 million (+64% compared to 2015<sup>21</sup>).

The development of local staff is a priority for the Group, so that it may benefit from a skilled workforce for current and future projects<sup>22</sup>.

In addition to direct labour, using sub-contractors and other indirect employees (including technicians, consultants, temporary agency staff, etc.) contributes significantly to the employment created locally. In 2016, around 25,200 indirect workers were employed in our projects (more than double compared to 2015), 70% of whom were hired locally.

**75%**

Direct staff employed locally

**63%**

Managers hired locally

20 Indirect employees include subcontractors' and temp agencies' personnel, and workers of other service providers employed at Group's sites.

21 The income statement for 2015 was restated to comply with IFRS 5. These figures do not include Lane Industries, acquired on 4 January 2016.

22 For more information, please refer to section 3.2.

## Local investments

The Group’s procurement strategy aims to meet needs at the local level as much as possible, based on the availability of required goods and services. This policy stems from the awareness that the “local purchases” factor is the main element for developing the local economy and to increase GDP, government revenues and disposable income.

In 2016, our connection with the local supply chain remained solid, with an average of 85% of purchases made from local suppliers. At the same time, our projects generated contracts with more than 4,500 new suppliers, of which 94% were local.

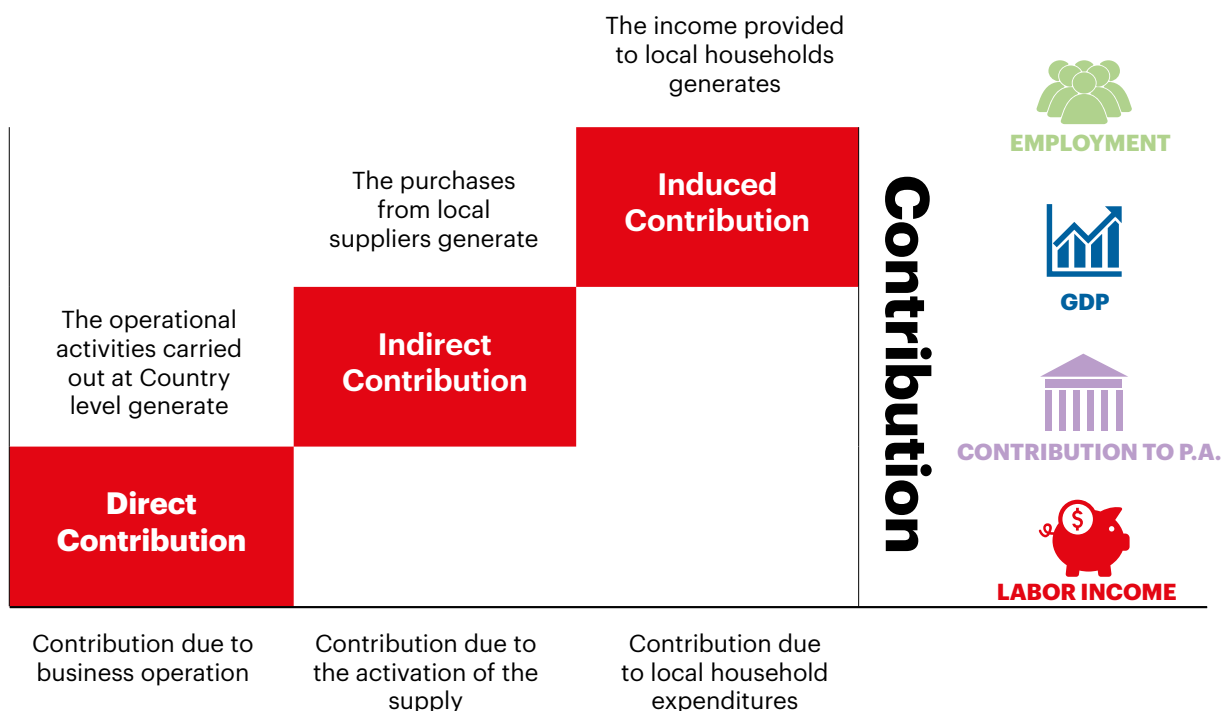
In monetary terms, the total economic value distributed to the supply chain amounted to €4.4 billion, consisting mainly of services (36% of the total), subcontracts (34%), and raw materials and goods (27%).

**85%**

Spending with local suppliers





## The Group’s global contribution to the development of local economies

The above statements only describe the direct and immediate contributions deriving from Salini Impregilo projects to local economies, but do not include all the additional indirect and related contributions that Salini Impregilo’s activities trigger in the countries where the Group operates.



In order to properly identify and quantify these contributions during 2016, the Group developed a special proprietary calculation model, called the SEED (Socio-Economic Effects Determination) Model, which calculates the total contribution (direct, indirect, and induced) of Salini Impregilo to the economic growth and social development of specific countries in terms of employment, GDP, revenue for the public administrations, and labor income distributed to households<sup>23</sup>.

In 2016, the model was tested in three pilot countries: Italy, Ethiopia and Panama<sup>24</sup>. The findings, summarised below, confirm that Salini Impregilo's local investment policies produce significant effects on the economies of the countries where the Group operates.

<b>SEED Model</b> Total contribution generated by Salini Impregilo's activities		 <b>EMPLOYMENT</b> People involved throughout the value chain	 <b>GDP</b> Difference between production value and intermediate costs	 <b>REVENUE OF THE PA</b> Income taxes, Duty fees, Social security charges, and Other taxes	 <b>EMPLOYMENT INCOME</b> Wages and salaries, Provision for termination indemnities, Leaving Indemnity, and Other costs
<b>Italy</b>	<b>Total contribution</b>	<b>15,116</b> Jobs	<b>867</b> Mil € of GDP	<b>220</b> Mil € of contribution to P.A.	<b>433</b> Mil € of labor income
	<b>Multiplier</b>	<b>8</b> Jobs for every employee of Salini Impregilo	<b>29</b> € of GDP for every € created by Salini Impregilo	<b>10</b> € of contribution to P.A. for every € paid by Salini Impregilo	<b>3</b> € of income for every € of labor income paid by Salini Impregilo
<b>Ethiopia</b>	<b>Total contribution</b>	<b>167,737</b> Jobs	<b>712</b> Mil € of GDP	<b>76</b> Mil € of contribution to P.A.	<b>195</b> Mil € of labor income
	<b>Multiplier</b>	<b>21</b> Jobs for every employee of Salini Impregilo	<b>2</b> € of GDP for every € created by Salini Impregilo	<b>2</b> € of contribution to P.A. for every € paid by Salini Impregilo	<b>6</b> € of income for every € of labor income paid by Salini Impregilo
<b>Panama</b>	<b>Total contribution</b>	<b>18,438</b> Jobs	<b>472</b> Mil € of GDP	<b>72</b> Mil € of contribution to P.A.	<b>309</b> Mil € of labor income
	<b>Multiplier</b>	<b>20</b> Jobs for every employee of Salini Impregilo	<b>5</b> € of GDP for every € created by Salini Impregilo	<b>2</b> € of contribution to P.A. for every € paid by Salini Impregilo	<b>3</b> € of income for every € of labor income paid by Salini Impregilo

<sup>23</sup> The SEED Model is based on the analysis of investments made locally by the Group and on the application to them of specific multipliers derived from the Social Accounting Matrices, published by internationally renowned research institutions.

<sup>24</sup> Taking into consideration 2015 data.

The high multiplier of the GDP and the public administration revenues generated in Italy is mainly due to the significant use of Italian suppliers at the Group's overseas projects, and demonstrates quantitatively how the activities of the Group contribute to "exporting" national excellence and the "Made in Italy" brand.

The high employment multipliers recorded in Ethiopia and Panama are due to the large number of direct staff employed by the Group in these countries and the structure of the local economies, characterized by high labour intensity. In these countries, the overall contribution that the Group's projects bring to macroeconomic indicators (employment, GDP, revenue, wages<sup>25</sup>) appears significant.

The annex shows the complete data for the three analysed countries.

### Support for communities

In addition to the contribution it makes to local growth Salini Impregilo supports the communities where it operates through the promotion of a wide range of programmes and activities that benefit the local population and the environment, such as:

- Direct actions on the design and construction of infrastructures benefiting local communities (schools, medical facilities, government offices, aqueducts, roads and bridges);

Scope	Initiative	Country
Social	146	Australia, Ethiopia, Kazakhstan, Italy, Malaysia, Nigeria, Qatar, Ukraine, USA
Education and Culture	87	Australia, Ethiopia, Kazakhstan, Italy, Malaysia, Qatar, Saudi Arabia, USA
Sport and Environment	39	Italy, Saudi Arabia, Ukraine, USA

<sup>25</sup> Data showed refer to the total contribution of the projects in progress in the three pilot countries in 2015, regardless of Salini Impregilo's percentage. Italy includes the contribution generated by the corporate activities.

**Focus: Practical help to people affected by the earthquake of August 24 in central Italy**

Following the earthquake that hit central Italy on 24 August 2016, the Salini Impregilo Group decided to express in a practical way its solidarity with the population, donating a school in the earthquake zone, in Valfornace, Marche region.

During 2016, Salini Impregilo worked together with the Italian association responsible for Civil Defence and the representatives of local authorities to carry out the feasibility study of a school building for the children living in an area of the Marche region that no longer had a school. The building, whose cost was borne entirely by Salini Impregilo, covers a total area of

over 500 m<sup>2</sup> and can accommodate about 100 children and teenagers, with ten classrooms for the nursery, primary and secondary schools.

The Group also actively supported its staff by participating in an initiative by Confindustria and the national trade unions that launched an “Intervention Fund for the people of Central Italy”. This initiative gathered voluntary contributions from workers equal to an hour’s work, with a matching contribution from their employers. In this way employees were able to demonstrate their support for the earthquake victims at a very challenging time.

- Social initiatives and programmes, managed directly and in co-operation with other organisations, for social, cultural, sports, artistic, educational, and humanitarian purposes;
- Free access to some of our sites’ structures (e.g. clinics, training rooms, wells and roads) for the local communities living in rural areas not covered by basic services.

In 2014-2016, more than 270 initiatives were developed in favour of local communities, as shown in the diagram below, with a total investment of €4.6 million (about €1.6 million in 2016<sup>26</sup>).

During our most significant initiatives in 2016, it should be noted that we provided more than 13,200 free healthcare interventions to local communities in rural and remote areas, directly provided by our worksite clinics.

26 This amount comprises direct costs only, and not the value created for local communities, nor the costs sustained for infrastructure developed by the Group for project-related needs (e.g. roads, bridges, water wells and basins) which remain available to communities after the project has been completed.