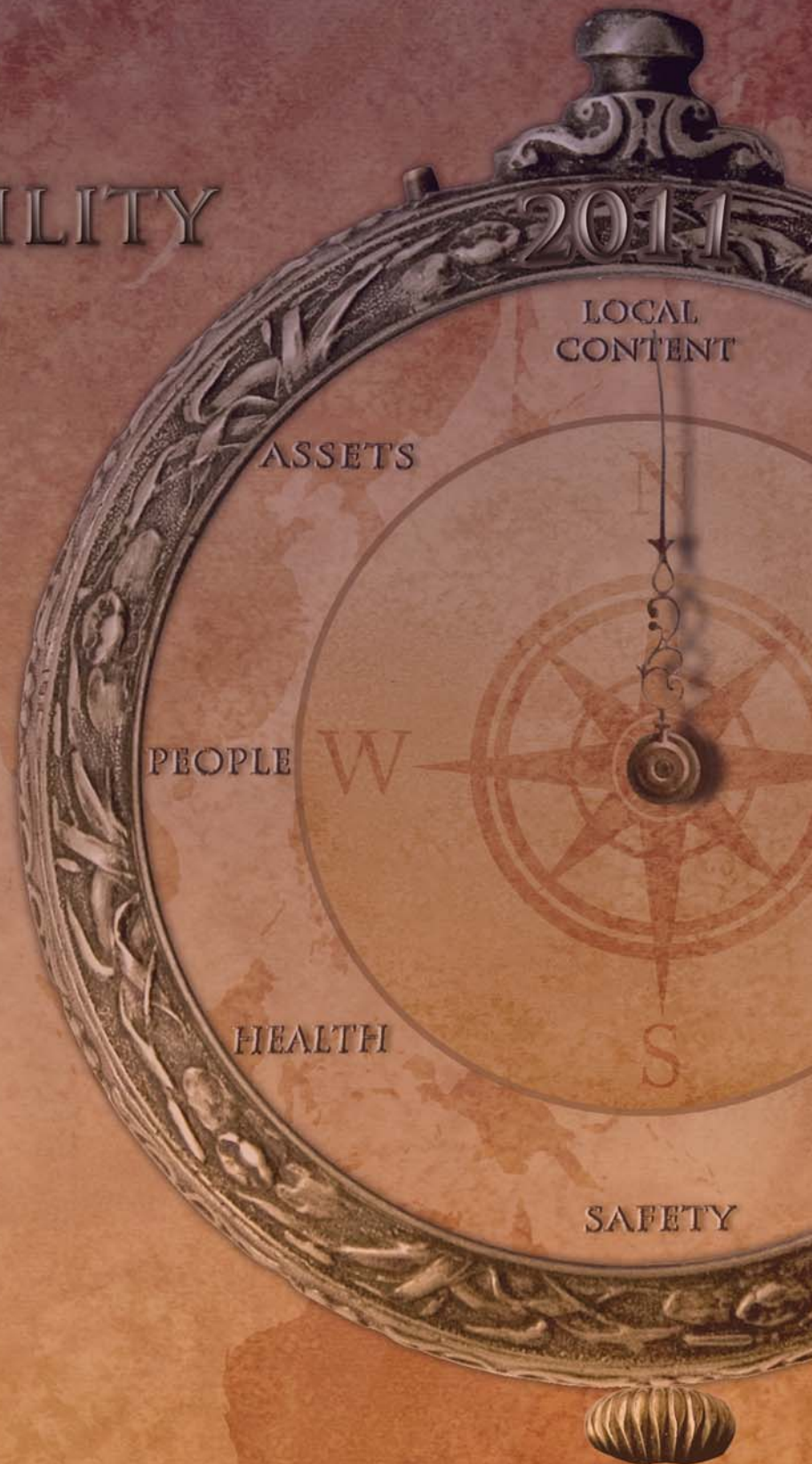


# SAIPEM SUSTAINABILITY



# Mission

- Pursuing satisfaction of our clients in the energy industry, we tackle each challenge with safe, reliable and innovative solutions.  
  
We entrust our competent and multi-local teams to provide sustainable development for our company and for the communities where we operate

## Message from the CEO

The concept of 'sustainability', as we have come to apply it in Saipem, i.e. as a business management model which seeks to maximize value for all of our stakeholders, is an integral part of the company's operations – operations which, due to their nature and complexity, have always demanded a special focus on people and on social and environmental issues.

The specific characteristics of the countries and the local contexts in which we operate led us many years ago to adopt a distinctive approach to sustainability during the execution of projects, which consists of managing the risks involved and ensuring that our presence is a contributing factor to the social and economic development of local areas and communities. Sustainability thus plays a key role in the success of Saipem's operations, since it enhances our status in the eyes of our clients and local stakeholders. Furthermore, by actively involving stakeholders it ensures not only our own long-term growth, but also that of the areas where we operate.

The reorganization of the Company in 2011, which saw the merger of the Onshore and Offshore Business Units into the

Engineering and Construction Business Unit, will allow us to capitalize on these benefits even further by enabling us to provide a quick and competitive response to market demands, particularly in relation to business with National Oil Companies and operations in frontier zones.

In light of the social and political changes that we have witnessed in several oil and gas producing nations over the past year, which have reinforced the aspirations of the populations of those countries to become full protagonists in their own development, I am convinced that the theme of Local Content – which remains a cornerstone of our business and of which Saipem boasts a long-standing tradition dating back to its very foundation – will continue to be a determining factor in ensuring we can operate successfully in highly diverse and complex local contexts.

Naturally, our focus on the health and safety of all Saipem employees is a constant in everyday operations. Indeed, to consolidate the cultural change that we have been pursuing in this regard for many years, the Company is investing more and more in the skills of its own people in all working

environments.

Increasingly, the market requires companies to possess operational agility and flexibility in order to adapt to unexpected changes and pursue maximum efficiency through the deployment of cutting-edge technological assets equipped to operate efficiently in the extreme environments where energy exploration is currently taking place. This is why Saipem has undertaken a long-term investment plan to expand and modernize its fleet and vessels. Significant investments have also been made to reduce the environmental footprint of our operations in difficult and sensitive areas, with a view to safeguarding the ecosystems in which the Company is called upon to operate.

The document '**Saipem Sustainability**', which forms an integral part of our relations with stakeholders, seeks to underscore and convey these vital elements of Saipem's sustainability strategy, which I am convinced will play an increasingly important role in the creation of value.



**Pietro Franco Tali**  
Deputy Chairman and  
Chief Executive Officer

# Saipem and sustainability: scenarios, business environment and market conditions

The oil industry services sector faces critical challenges in a complex and constantly evolving environment. For a global company like Saipem, the primary task is to develop robust and sustainable business, where the term 'sustainable'

should be taken in its broadest meaning as the ability to generate value while taking into account the needs and interests of all stakeholders involved, and a correct and safe use of natural resources.

In this respect, Saipem has built a sustainability paradigm whereby elements such as Local Content (understood as a factor contributing to the development of the communities where the Company operates), safety and the environment, technological development, Human Resource management, and enhanced relationships with all stakeholders (particularly clients), are integrated within the business model.

In this framework, the Company's distinctive feature is its constant commitment to excellence in conducting business, which translates into a high level of reliability in terms of technology, engineering and safety of operations.

In the last few years, the characteristics of Saipem's target market (e.g. client profiles) have changed significantly:

- Contractors are more and more often required to interface directly with the National Oil Companies (NOC), who have acquired a considerable amount of know-how in terms of technical and managerial capabilities, and are therefore increasingly replacing the International Oil Companies (IOC) and independent companies in the Oil & Gas industry's development. Their hydrocarbon reserves

are growing very rapidly, which makes them very active investors and primary counterparties in the execution of large and complex onshore and offshore projects.

- Some operators in the electricity sector are showing a tendency to move up along the supply chain, acquiring gas fields to self-supply their plants.
- Complex project joint ventures are formed with increasing frequency between Oil Companies, NOCs and IOCs to benefit from the mutual exchange of knowledge and from new and more advanced technologies.
- Clients, whether on their own initiative or prompted by national laws, increasingly require projects to have significant portions of Local Content (a major example of this is Brazil).

**Against this background, Saipem has the technological and managerial wherewithal to be chosen by clients even in a highly competitive environment. It also has the ability to adapt to the changing market by applying a variety of customized approaches to varying client needs.**

Saipem bases its business on an EPC and EPIC (Engineering, Procurement & Construction and Engineering, Procurement, Construction & Installation for offshore projects) type of business model that allows clients to be relieved from many responsibilities and risks. The Company agrees to operate under any type of contractual arrangement, from the execution of individual services to the development of entire turn-key projects and reimbursable contracts. Furthermore it provides a wide range of technical services, particularly Front End Engineering and Design (FEED),

which help the NOCs to define more effectively the scopes of work of extremely large-scale projects (i.e. worth more than 1 billion dollars), but which can also help the IOCs to plan what is known as fast track execution, by involving the FEED designer in the executive phase of EPC projects<sup>1</sup>. In order to share experiences, execution strategies and business opportunities, Saipem establishes strategic relationships with certain clients and enters into long-term partnerships that extend beyond the execution of individual projects. Moreover, Saipem cooperates with other Oil & Gas contractors

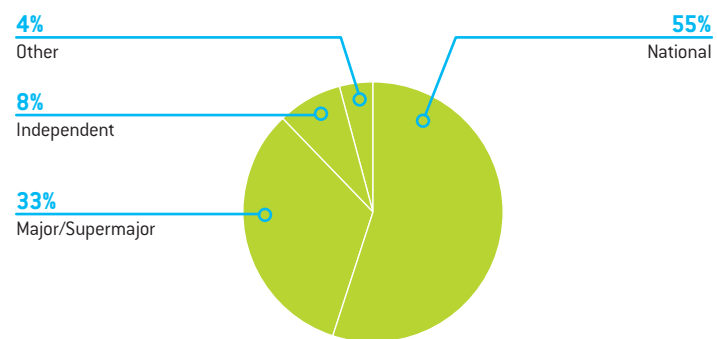
**As discussed in greater detail further in this document, Local Content is a central aspect of Saipem's sustainable business strategy.**

Saipem aims to build stable and long-lasting relationships with local communities, bringing benefits in terms of investments, use of the local workforce, development of human capital and of the capabilities of the local entrepreneurs. Over the years, local project execution centres have been set up to carry out all or most of the engineering, procurement, project management and construction activities. The same occurred with the increasing presence of

to share know-how, assets and experiences. An example of this is the joint venture with Chiyoda (Japan) for the LNG business. Finally, with an eye to the aspects of social responsibility inherent in the production of goods and services, Saipem establishes mutually beneficial relationships with suppliers and creates synergies in order to meet client needs. Another distinctive feature of the Company is its strong commitment to protecting the environment and local resources, without which it would be impossible to seize the opportunities that arise from

frontier areas such as the Arctic or deep and ultra-deep waters where safeguarding the environment is a vital requirement. In order to continue to operate at this capacity and to achieve high standards, Saipem must constantly invest in research and development: these activities, which support the Engineering & Construction and the Drilling Business Units, allow the Company to develop technologies targeted at improving the operating reliability and efficiency of its equipment and control systems, as well as to contain and mitigate the environmental impacts caused by operations.

#### Backlog by Client



fabrication yards in countries like Nigeria, Angola and Kazakhstan, the engineering centres created in Norway, Romania, Croatia and India, or the logistic facilities in Peru. The development of these assets, which are extremely well integrated into the local setting, has continued during these years with the Karimun Yard in Indonesia (opened in 2011), the bases in the Arab Emirates and in Canada, and the investment in the new fabrication yard in Guarujá, Brazil, which will provide

commercial and competitive advantages for the Company and allow the development of high Local Content for the host country. Saipem also intends to use Local Content as a driver of business development in countries such as Iraq, which are reopening to investments. Lastly, there is an element which for Saipem represents the essential foundation underpinning the entire system: people, for whom the Company has established increasingly

[1] Fast completion of a project achieved by optimizing its different phases in order to reduce the overall time below that required for a project executed using standard planning methods.

high health and safety standards and implemented a People Management System in all

regions where it operates, while at the same time respecting the diversity and cultural traditions

of the local context. This system includes the processes that accompany individuals from their

recruitment and insertion into the work environment to training and career development.

**The characteristics of the business model described above will allow Saipem to address, with a winning approach, the challenges, including sustainability, posed to Oil & Gas contractors by the current political and economic conditions.**

Indeed, in the worldwide Offshore construction sector high price levels are encouraging the development of fields in hostile environments, particularly in the Arctic (where, according to the United States Geological Survey, one fourth of undiscovered global resources is located) and in ultra-deep waters. Examples of this trend are the large sums invested in the development of the Pre-Salt basins off the shores of Brazil, mega-projects like Galsi and Southstream in the Mediterranean, Shtokman in the Russian Arctic, and the resumption of 'pre-Macondo' activity volumes in the Gulf of Mexico.

Saipem will therefore leverage its advanced vessels (the Field Development Ship - FDS 2 started operating during 2011, the Castorone pipe layer will be tested in 2012 and has already obtained contracts), as well as the completion of the Karimun site in Indonesia and the investment in the new Brazilian base, expected

**Both the growth of global oil production (expected to rise from 89 million barrels per day in 2011 to 96 million barrels per day in 2015, most of which attributable to OPEC countries) and the use of natural gas (driven by energy source diversification policies due mainly to environmental considerations) will generate significant and at the same time challenging opportunities for a global, integrated and multi-business contractor like Saipem.**

to be completed in 2014. The Onshore construction sector is also going through a positive phase, with the upstream, natural gas liquefaction, and refining segments driving the awarding of contracts in 2011. In particular, in the upstream segment (Middle

East, China and North America) the development potential remains extremely high due to the need to replace the production capacity of declining fields. Similarly, in addition to good activity volumes in the onshore pipeline segment, natural gas

to maintain oil prices at very high levels throughout 2011 and well into 2012.

Despite the economic crisis, the dynamics of the energy market are, fortunately, mainly linked to development in the non-OECD area, with an 8-9% increase in the overall global energy requirement in the 2011-2015 period, with fossil fuels (oil, natural gas and coal) still the major energy sources.

liquefaction and regasification is expected to be driven by growth in demand, which will have an increasing weight in the energy mix. Saipem intends to seize important opportunities in Iraq (a country with enormous production potential and a severe lack of infrastructures) and in Canada and Venezuela, where the Company plans to increase production from bituminous sands and extra heavy oil, respectively. Despite increasingly competitive conditions in the Onshore E&C industry due to the aggressiveness of Asian competition, Saipem intends to maintain its position in all these sectors and regions as a leader and preferred partner for sustainable development, including by strengthening its project execution centres in areas with more competitive costs and through the development of a stronger supplier network in emerging regions like India and China, thus contributing to their growth and social advancement.

In the Offshore Drilling sector, Saipem is a leader in extreme environment operations thanks to its vessels Saipem 12000 and the new Scarabeo 9 (in operation since 2011) and Scarabeo 8

(expected to be delivered in 2012). In Onshore Drilling, Saipem will continue to operate on behalf of major and NOC companies, with a focus on South America, Saudi Arabia, North Africa, the

Caspian Sea, and, to a lesser extent, Europe. In these regions, the Company can leverage its knowledge of the market, its long-term relationship with clients, integration and synergies

with other business areas, and, once again, and above all, Local Content (Saipem has used up to 85% of local resources on land drilling rigs).

## Within this market outlook, commitment to sustainability will remain a priority in Saipem's business strategy.

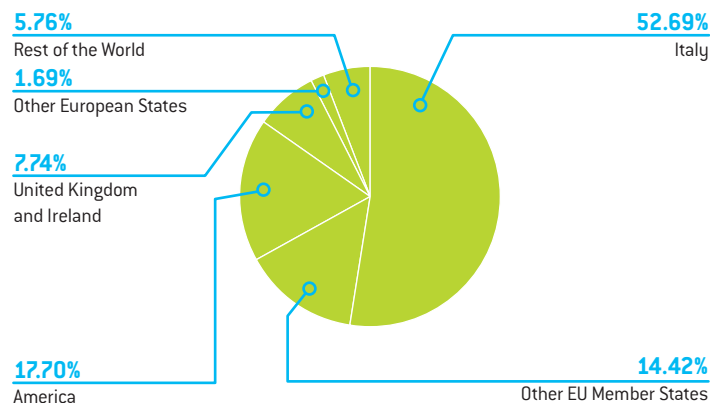
Saipem has three main sustainability pillars. The first is attention to human resources, in terms of both workplace health

and safety and training and career development. The second is the Company's contribution to local economies and social

advancement through the employment, in some cases in significant percentages, of local resources, the encouragement of local entrepreneurship, the assessment of the impact of the Company's activities on the local area and the measurement (including quantitative measurement) of the

socio-economic effects, which are discussed with stakeholders and host communities. The third and final pillar is environmental protection and the use of technologically cutting-edge equipment designed to prevent risks and optimize operating results, even in extreme and challenging environments.

### Shareholders by geographical area<sup>(\*)</sup>



(\*) Based on 2010 dividend payments.

At December 31, 2011, the share capital of Saipem SpA amounted to €441,410,900, fully paid up, and comprises 441,275,452 ordinary shares of the nominal value of €1 each and 135,448 savings shares of the nominal value of €1 each.

Company representatives exhibited Saipem's activities and results in Milan, London, Frankfurt, Paris, Amsterdam, Copenhagen, Dublin, Edinburgh, Gleneagles, Stockholm, Zurich, Geneva, New York, Boston, Chicago, Toronto and Yountville (California). Saipem also organized a field trip on board the semi-submersible pipelay vessel Castoro Sei operating in the Baltic Sea.

More generally, in 2011 over 600 individuals, including portfolio managers and buy/sell side analysts, were contacted during one-to-one meetings, group meetings and conference call or video conference meetings, while more than 500 people attended the four financial results conference calls.

Saipem's investor relations are based on continuous dialogue with the financial community. This is carried out in compliance with the rules and regulations designed to ensure

full transparency and equal access during the disclosure of confidential information. All relevant documents are made available promptly on the Company website.

As part of its institutional financial communications, in 2011 Saipem organized 30 road show days and attended 13 international investor conferences and events.

*'Sustainability, a Commitment with the world!'*

Givanildo Batista



'Saipem Sustainability' provides in-depth analysis of the five key elements of Saipem's sustainability strategy which are also of common interest to the main Company stakeholders. Several national focuses give practical examples of how policies and strategies are put into practice in the countries where the Company is present. The document is an integral part of Saipem's integrated reporting and communication system for sustainability.

### Saipem's distinctive approach: Local Content

Describes how Saipem transforms its commitment to Local Content into concrete actions. The strategy of maximizing local procurements and employees is then explained, as is the methodology developed by Saipem for estimating the impact of its activities on local areas.

page 1

### Making People a Strategic Asset

Deals with human resources management, skills development and security.

page 17

### Health, Safety and Environment for a Sustainable Future

Explains improvements and developments in systems, at both corporate and local level, for managing the health and safety of employees and for safeguarding the environment.

page 26

### On-the-Ground Presence

Illustrates the methods adopted to involve local stakeholders and provides an overview of the initiatives implemented by Saipem for the promotion of the health, education and economic development of local communities.

page 47

### Efficiency for Sustainable Business

Outlines Saipem's upgrades to and investments in its assets, the procedures implemented to ensure operational performance and the tools used to guarantee client satisfaction.

page 57

page 64

Each chapter includes comments by the independent **Panel of Experts**.  
**Ana Maria Esteves**, University of Queensland, Community Insights Pty Ltd  
**Khalid Ghozlani**, GEnergyConsulting  
**Petter Matthews**, Engineers Against Poverty  
**Arthur Minsat**, PhD student, London School of Economics  
**Cyrille Putz**, Local Content Solutions

page 66

The Reporting Principles and Criteria can be found at the end of the document along with a complete overview of the sustainability communication tools adopted by Saipem.



All pictures and sustainability slogans included in this report are the work of Saipem colleagues who participated in the annual in-house Sustainability Award.

## Saipem at a Glance

### ALGERIA

Saipem has been present in Algeria since the early 1950s. In 2011 the Company counted **2,551** employees, of whom **76.4%** local. Saipem's operating companies are Saipem Contracting Algeria and Saipem Algerian Branch. The main business is in both Onshore and Offshore E&C and Drilling.

*Training p. 19, Environment p. 45, Stakeholder Engagement p. 50, Health for Local Communities p. 52, Technology p. 61*

### ITALY

Saipem is present in Italy not just with the Parent Company but also with Saipem Consorzio Sapro, Saipem Energy Services SpA, Servizi Energia Italia SpA and Snamprogetti Chiyoda sas. The main operations are in both Onshore and Offshore E&C and Drilling.

*HSE Training p. 30*

### QATAR

In Qatar, Saipem operates in the Onshore E&C business sector through Saipem Qatar Llc. In 2011, the Pearl Gas To Liquids (GTL) project for the construction of a waste water treatment plant in the industrial city of Ras Laffan was completed, while the Qafco 5 - Qafco 6 project for the construction of four new ammonia and urea production plants and ancillary service production units is currently underway.

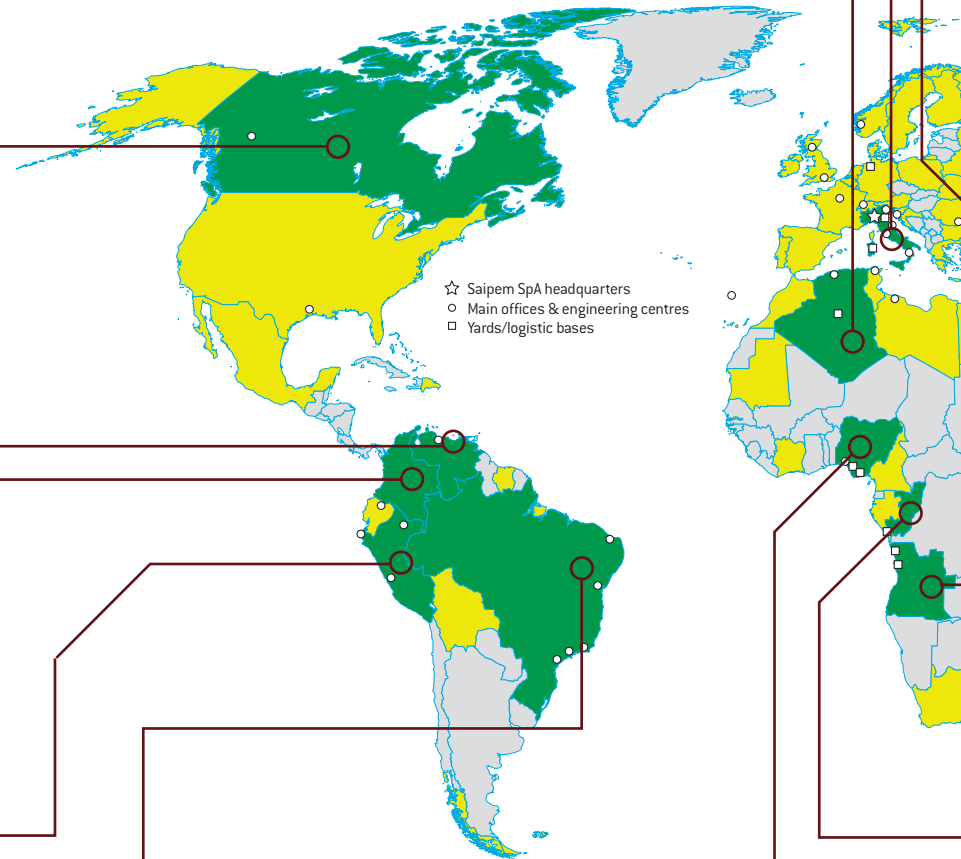
*Environment p. 43*

### CANADA

Saipem is present in Canada with **452** employees, of whom **81.6%** local. The Company operates locally via Snamprogetti Canada Inc and Construction Saipem Canada Inc. The main activities are Onshore E&C and Onshore Drilling.

*Local Vendors p. 7*

**Saipem is a global contractor with active operating projects in 53 countries. This report provides concrete examples of Saipem's sustainability strategy. The following is a complete overview of the countries in which the sustainability initiatives described in this document are performed.**



### VENEZUELA

Saipem is present in Venezuela with **2,370** employees, of whom **98.48%** local. It operates in Offshore E&C and Onshore Drilling through Petrex SA and Fertilizantes Nitrogenados de Oriente CEC.

*HSE Training p. 31, Health for Local Communities p. 53*

### COLOMBIA

Saipem has **469** employees in Colombia, of whom **93.3%** local. Saipem operates primarily through Petrex Sa, whose activities relate mainly to Onshore Drilling. The Puerto Nuevo project is currently underway via Saipem sa.

*Education p. 54*

### PERU

Saipem has been present in Peru since 1983 and has **1,533** employees, of whom **93.4%** local. Currently the Company operates through Petrex SA in both Onshore and Offshore Drilling.

*Training p. 22, HSE Training p. 28, Economic Development p. 54*

### BRAZIL

Saipem's presence in Brazil began in 2002. At year end 2011 there were **552** employees, of whom **86.5%** local. Saipem operates via Saipem do Brasil Serviçõs de Petroleo Ltda. The main activities are Offshore E&C and Onshore Drilling. A new fabrication yard is also currently under construction.

*Local Content p. 4*

### NIGERIA

Saipem has been present in Nigeria since the mid 1960s. It has **4,485** employees, of whom **81.5%** local. Saipem operates through Saipem Contracting (Nigeria) Ltd and Saipem (Nigeria) Ltd, mainly in Offshore and Onshore Drilling and E&C.

*Local Employment p. 7, Malaria Prevention p. 39, Environment p. 44, Stakeholder Engagement p. 50, Education p. 54*

## AZERBAIJAN

Saipem has been operating in Azerbaijan since 2001 and at year end 2011 had **975** employees, of whom **86.6%** local. Saipem is represented locally by Saipem Asia Azerbaijan Branch and BOS Shelf Llc, mainly on Offshore E&C projects.

*Training p. 20*

## KAZAKHSTAN

Saipem has been present in Kazakhstan since 1995 and at year end 2011 counted **3,476** employees, of whom **63.8%** are Kazakh. Saipem operates locally through Saipem Kazakhstan Branch, Saipar Drilling Co and Ersai Caspian Contractor Llc. These companies operate mainly in Offshore and Onshore E&C and Offshore and Onshore Drilling.

*Training p. 21, 23, Local Vendors p. 28, Road Safety p. 34, Environment p. 42, Education p. 51, Stakeholder Engagement p. 52, Health for Local Communities p. 53, Economic Development p. 55*

## INDIA

Saipem has been active in India since 1983. In 2011 there were **1,078** employees, of whom **97.3%** local.

The Company operates locally in engineering through Saipem India Project Ltd.

*Local Vendors p. 7, HSE Training p. 29*

## INDONESIA

Saipem has been operating in Indonesia since the mid 1980s and has **1,583** employees, of whom **75.3%** local. It is represented locally by PT Saipem Indonesia. The main activities are in Offshore E&C and Offshore Drilling. The new Karimun Yard was opened in December 2011 and is currently operating.

*Local Employment p. 9, Stakeholder Engagement p. 49*

## PAPUA NEW GUINEA

In Papua New Guinea Saipem operates in the Offshore E&C business sector.

Work is underway on the engineering, transportation and installation of the offshore PNG LNG EPC2 pipeline.

At the end of 2011 the project counted **62** local personnel.

*Education p.55*

## CONGO

Saipem has been active in Congo since 1975. Today it has **537** employees, of whom **37.8%** local. There are also **792** local people working through temporary employment agencies. Saipem's operating companies in Congo in 2011 were Saipem SpA Branch, Boscongo Yard and Saipem Energy Services (whose Congo branch was absorbed into Boscongo at the end of the year). The main activities are Onshore E&C and Onshore and Offshore Drilling.

*Local Vendors p. 8, Road Safety p.34, Malaria Prevention p. 39*

## ANGOLA

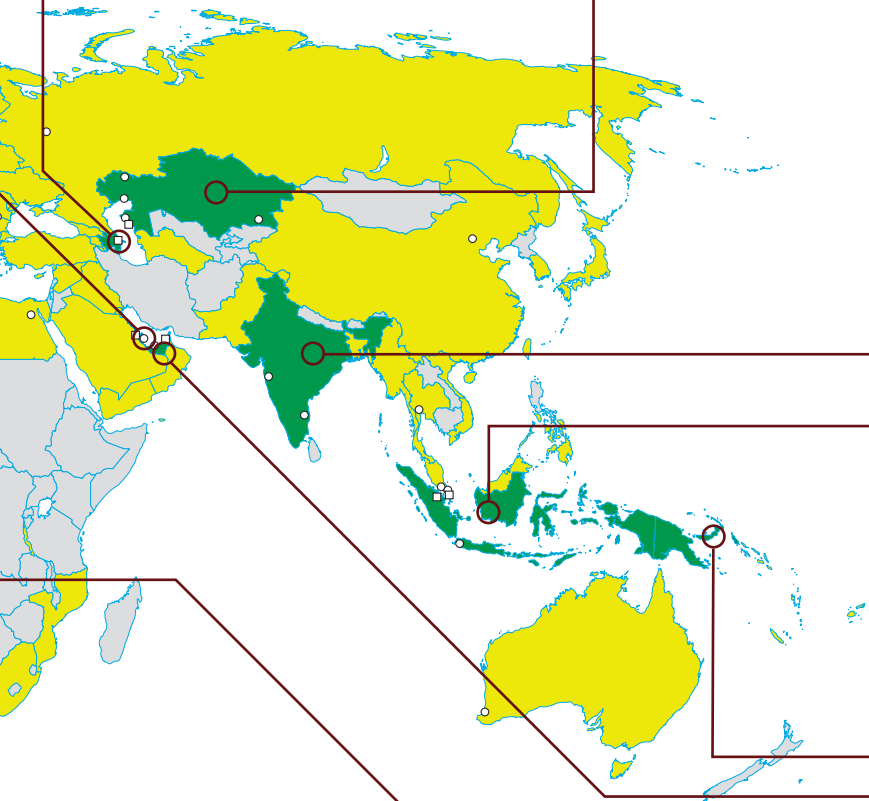
Saipem has been operating in Angola since 1982 and today has **3,166** employees, of whom **44.7%** local. **1,966** people are also employed through temporary employment agencies. Saipem operates through Saipem SpA Angolan Branch, Saipem sa Angolan Branch, Petromar Lda, Kwanda Suporto Logistico Lda and Sagio-Companhia Angolana de Gestao de Instalacao Offshore Lda. The main activities are Offshore Drilling and Onshore and Offshore E&C.

*Local Employment p. 11, Training p. 20, Malaria Prevention p. 39, Economic Development p. 51, Education p. 55*

## UNITED ARAB EMIRATES

Saipem is present in the United Arab Emirates with **1,781** employees, of whom **57.6%** local. Saipem operates mainly in Offshore Drilling and Onshore E&C. An important project currently managed is Shah Gas Development project.

*Environment p. 44*





*'Leading the World to the Earth's Behaviour'*

Kidung Ajisurya

# Saipem's distinctive approach: Local Content

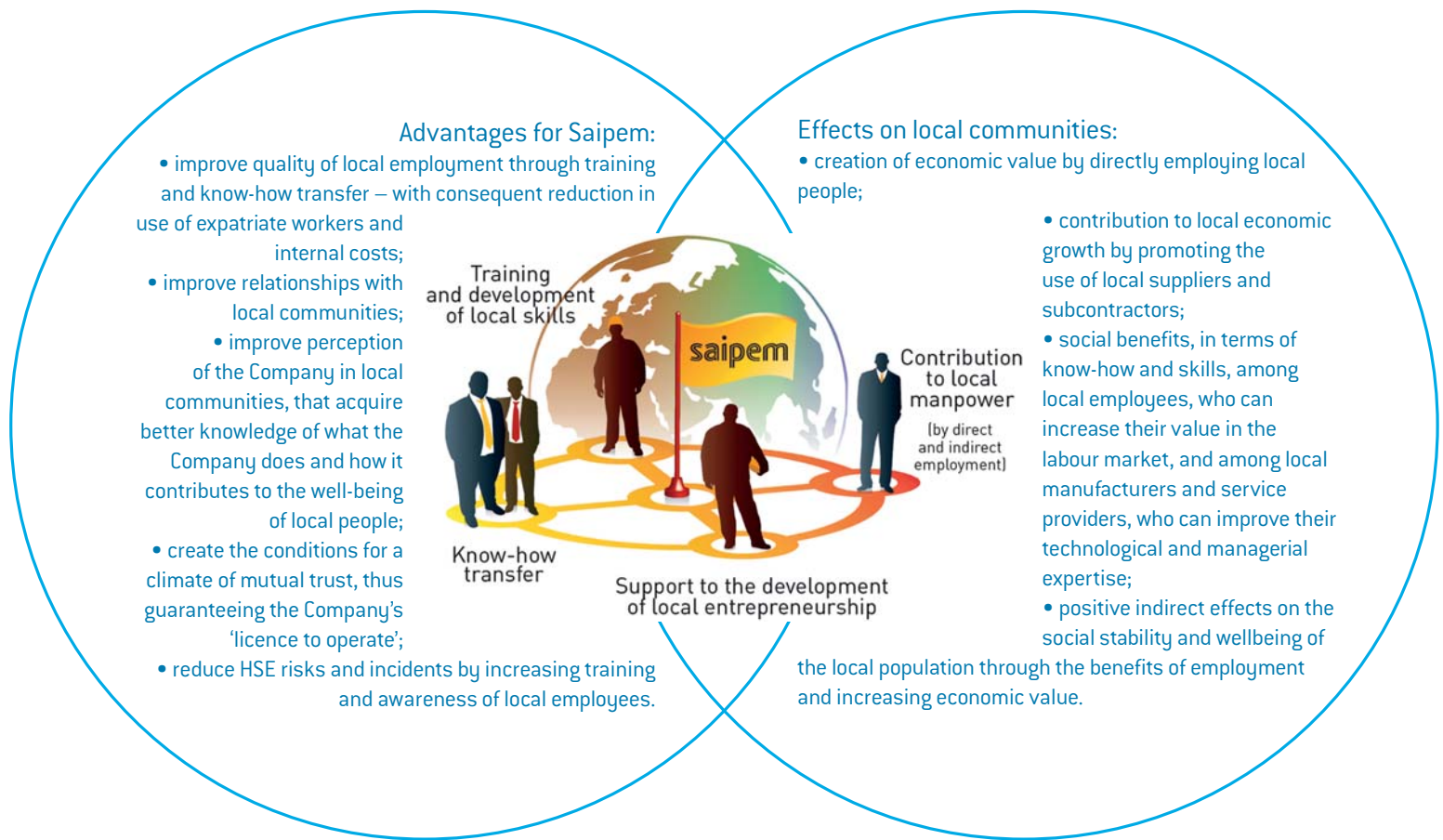
Saipem has always applied a comprehensive Local Content approach, since it is convinced that this is the key to its success. Maximizing Local Content is a

universally valid business principle that is gradually gaining a foothold in all operating contexts, regardless of the demands of clients and/or local institutions.

## Integrated into the local context through our business

For Saipem, promoting Local Content means contributing to the development of local communities, mainly by offering employment opportunities, training and the transfer of know-how, but also by working effectively with local vendors and subcontractors to create socio-economic value.

Despite the challenges still to be faced in the countries where the Company operates, this business model has been shown to have several benefits (see diagram below).



### Expert Panel Report

*Review by Ana Maria Esteves*  
The importance attributed to Local Content signals that Saipem's primary contribution to sustainable development

is by leveraging core business. Evidence of a company-wide policy on definitions of Local Content would provide assurance of the basis for aggregating Local Content data. Similarly, policies on methods to give preference to local businesses, and adaptation of procurement systems to ensure that they can access opportunities, would demonstrate the extent to which the commitment is integrated throughout the company. The 'Saipem Externalities Local

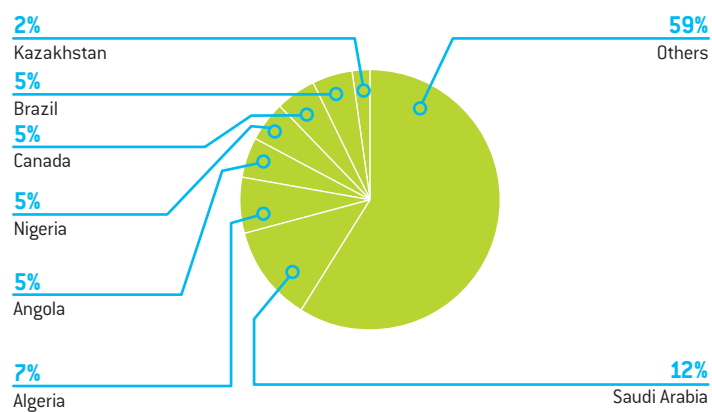
Content Evaluation' [SELCE] is a leading industry practice. Caveats should be included, particularly assumptions underlying indirect and induced figures. The next level of maturity is to understand positive economic effects at the level of regions affected by Saipem's operations. This is important in order to demonstrate how host communities (who are precisely those most impacted by Saipem's operations) also benefit from Local

Content efforts. Potential negative impacts on host communities, e.g. higher market prices, schedule delays, excessive vendor development investment, market distortion, post-decommissioning/post-contract dependence, conflict from favouring certain groups over others, and the potential for corruption, should also be considered. Procedures are required to measure, monitor and manage these risks.



Saipem's stable presence in a local area is an important component of its strategy of maximizing Local Content and, indeed, of the Company's industrial model in general. Saipem is investing to reinforce and extend its network of fabrication yards throughout the world. These are multi-disciplinary operating sites that ensure a timely and specific response to business needs arising in a given country. It is around these needs that, for its part, the company can invest in boosting relations with local actors and participating in the development of local social and economic conditions. At present, Saipem has 9 operating yards and two more under construction, for a total area of 6.4 million m<sup>2</sup> and almost 37 million hours worked.

#### Backlog by Country - Local Content Focus



Reporting on indicators such as the number of local vendors who have improved pricing to more competitive levels, to say nothing of scheduling and quality, and who have accessed new markets by the end of the Saipem contract, will reinforce the business case. It is also important to report on instances of non-compliance with host country legislation.

40%+ of present backlog in countries where Saipem has a strong Local Content commitment

**At the end of 2011, Saipem agreed the 100% acquisition of TPG (Terminal Portuário de Guarujá SA), a company that fully owns an area of 35 hectares in Guarujá. The area in question lies within the industrial hub of Santos, the largest port in South America.**



It is surrounded on three sides by water and on one side by land. Nearby can be found small shipyards, marinas and small factories and the area is close to the informal settlement of Santa Cruz dos Navegantes, a local community many of whose inhabitants are small-scale fishermen.

As massive investment plans take shape, the positive outlook for Oil & Gas infrastructural development in the region will be matched by Saipem through the construction on this area of a fabrication yard for subsea and floating structures as well

as a logistics base. The yard will be strategically located at approximately 350 kilometres from the Santos Basin (the offshore Brazilian region where ultra-deep water Pre-Salt fields are being discovered) and approximately 650 kilometres from the Campos Basin (another area rich in petroleum offshore of Rio de Janeiro).

Together with the Gulf of Mexico, development of the Pre-Salt reservoirs in the Santos Basin is the most important technical and managerial challenge that the Company faces for the next decade. Saipem will use the new

yard to carry out complementary activities to the services provided by the highly specialized ultra-deep water fleet recently built by the Company. The work in question will comply with extremely ambitious Brazilian Local Content requirements in the high-tech industry of ultra-deep water subsea development. The new yard is expected to be completed within two and a half years, in time for its use in the development of the Pre-Salt fields.

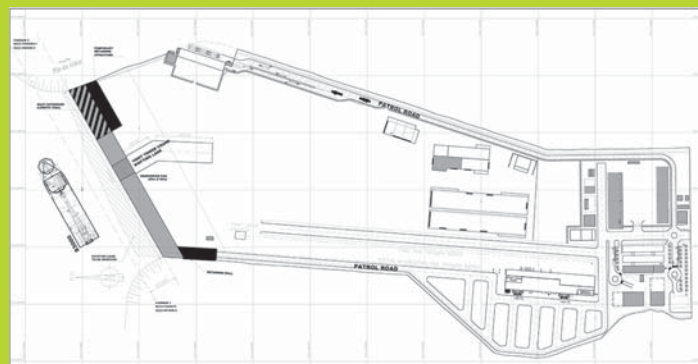
The city of Guarujá has for decades been a popular destination for millions of

'paulistas' (inhabitants of São Paulo). However, while mass tourism accounts for an important part of Guarujá's economy, this is only during holiday periods. The port of Santos, several industrial complexes and the Cubatao petrochemical plant remain the key non-seasonal economic drivers. The proximity to a major harbour and the relative availability of space, together with the presence of factories linked with the shipyards, is turning Guarujá and its surroundings into a centre for Oil & Gas offshore industry services. Sizable investments are in fact under way in this regard. The offshore Oil & Gas services cluster forming in Guarujá is seen as a great opportunity for the city both to reduce its dependence on the seasonal nature of tourism and to avail of all-year-round business activities.

During peaks in operations, the yard will employ several hundred people including engineers, administrators, managers, welders, pipe fitters, machine operators and drivers. Programmes and partnerships with local professional training institutions and universities will be arranged to optimize

capacitation of human resources and meet the demand for skilled workers. Indeed, there is short supply and high demand for skilled and qualified people on the local job market. For its part, Saipem do Brasil offers a comprehensive benefit package to all employees, which constitutes what should be a valid retention policy in this dynamic sector.

The impacts of the project on the economic, social and environmental context are currently under evaluation. The on-going process of analysing, monitoring and managing the consequences of the project, and any social changes involved, aims to achieve a more sustainable and equitable biophysical and human environment. This will allow the project to interact harmoniously with its surroundings by means of greater definition of the strategies and actions to be implemented in order to reduce conflicts and improve positive opportunities. Initiatives to manage predictable impacts will address local needs and expectations and contribute to the overall well-being and sustainable development of local communities.





## Developing the local supply chain

### In the procurement process, optimization of Local Content takes the form of a series of measures to increase the percentage of local vendors involved in supplies.

This not only generates economic value and an increase in the use of local resources, but also facilitates the transfer of know-how and the development of skills.

The need to meet local procurement needs is satisfied while at the same time ensuring observance of the principles of sustainability. In this sense, the numerous vendor training

initiatives on issues such as compliance with health and safety regulations should be noted, as should projects targeted at broadening the type of goods supplied.

It is through measures such as these that, after many years of cooperation with Saipem, an increasing number of vendors has managed to expand the type of goods and services available

and to boost the technological complexity of their supplies. With a view to supporting the global procurement process and to improving its own market analysis skills, and moreover in order to ensure the opening of new opportunities for the Group, Saipem is identifying and exploring the possibility of new procurements in the emerging countries.

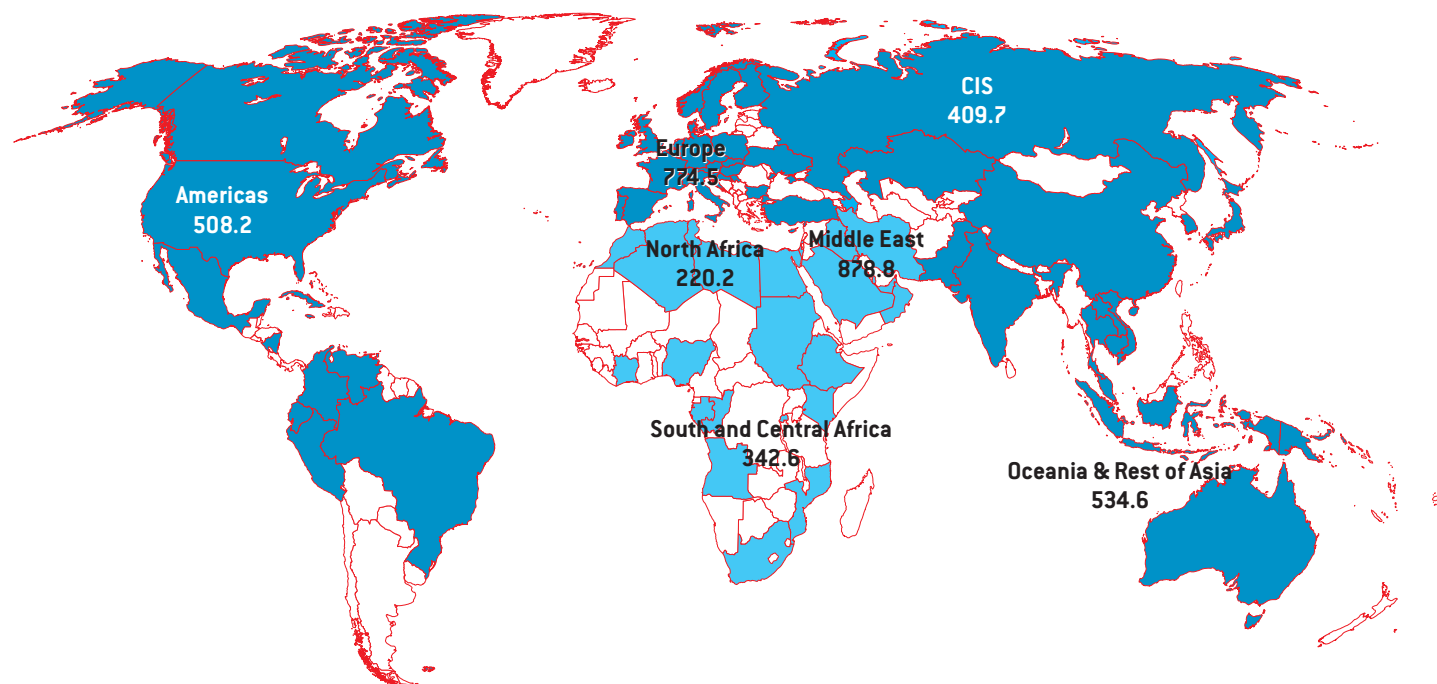
In this regard, the Sourcing Centres opened in China and India are by now firmly rooted and operative. These are specialist procurement scouting units which support projects in all procurement activities by ensuring a direct interface with local markets.

As a procurement strategy, Saipem promotes medium- to long-term agreements with local vendors to develop forms of multi-year cooperation that will hopefully lead to synergies. A vital element in the qualification of local (and non local) vendors is the Vendor Declaration, in which vendors undertake to act in compliance with the principles set out in Saipem's Code of Ethics and to respect human rights in conformity with the Company's Sustainability Policy. Furthermore, vendors must declare that they have fulfilled all obligations in terms of wages and social welfare and tax payments for their personnel in accordance with local laws in force.

#### Local procurement

During 2011, Saipem ordered a total of €8.7 billion for materials and services, of which €6.5 billion for operating projects and €2.2 billion for asset investments and staff costs. Of the total amount ordered for the operating projects, more than 56% was supplied by local vendors. The graph below shows the amount and percentage of local orders by each geographical area of activity.

Local orders as a percentage of the total amount ordered for operating projects: ■ <30% ■ 30-50% ■ 50-70% ■ >70%



As regards contracts, Saipem has inserted in all its general procurement conditions a sustainability clause according

to which vendors must declare that they have received and recognized the contents of the Company's Sustainability Policy

and that they undertake to act as sustainable companies. Each party to the contract declares that the activities

it pursues will not, under any circumstances, imply unacceptable risks to persons and/or to the environment and that it commits to mitigating any risks that may derive from its operations.

In addition to all of the above, local vendors must agree that, in relation to Health, Safety and Environment, they will assess and document any significant environmental impacts emerging from their activities and will provide their staff with Personal Protective Equipment (PPE) and act as guarantors for its correct use in terms of the most suitable time frames and methods. Finally, and where applicable, the goods which are the subject matter of an order must come complete with appropriate Material Safety Data Sheets (MSDS), as well as certificates and documented information on the correct handling of the items at the end of their life cycle and instructions for their disposal, recycling or reuse. By following precisely this strategy, Saipem has been able to meet its local needs while ensuring the growth of local companies in observance of all principles of sustainability.



## INDONESIA

In its procurements for the Karimun Fabrication Yard, Saipem places a lot of emphasis on Local Content. Island vendors are used as much as possible to supply those goods and services which are available locally.

With a view to supporting the local economy and stimulating industrial development, over the past few years Saipem has put a lot of effort into optimizing local vendor involvement. While it is not yet possible to procure locally what are specifically strategic products for Saipem, the last three years have seen a noteworthy increase in the involvement of local vendors and in their turnover for goods and services supplied. In 2011, for example, volumes almost tripled with the placing of over 400 orders to vendors located in Karimun. The impact of this was noteworthy, especially if one considers the island's limited

industrial base and the rather small size of the local population [about 200,000 people]. Thanks to this constant commitment to Local Content on Saipem's part, at present the most important general and maintenance services are procured on the island, as are some consumable warehouse goods and most fabrication gases. All vendors of interest to the Fabrication Yard undergo a qualification process and, if successful, are placed in the Company's database and used systematically. To facilitate the growth of existing businesses and provide incentives for the birth of others, Saipem is also developing medium- to long-

term procurement relations by entering into multi-year agreements that should allow local vendors to predict future volumes with a greater degree of certainty. The first framework agreements were issued in 2011 and new ones are being planned for 2012. These also include facilitated payment terms for newly registered companies. So far this strategy has allowed several vendors to expand and it is reasonable to presume that it will lead in the future to the opening of new businesses linked with Saipem's local operations.



## KAZAKHSTAN

A good example of optimizing the Local Content approach is the scheme for purchasing spare parts and consumables manufactured in the country and the further execution of fitting out and/or completion works for offshore modules and barges manufactured abroad for assembly in Kazakhstan.

In order to meet international standards, the Saipem Group, via its competent departments, helps local manufacturers and vendors by developing their capabilities and encouraging them to obtain ISO, API, ASME

and other international quality certification. To this end, Saipem organizes various meetings for clarification and consultation, arranges external qualification audits for compliance with standards and provides feedback

in the form of audit reports and recommendations. This will certainly add value to the process in terms of procuring national vendors and subcontractors, sharing the enormous experience gained and,

last but not least, transferring new technologies to the local employees of Saipem and Ersai, one of the operating company working in the country, involved in assembly works in the Kuryk Ersai Yard.

Saipem's Vendor Qualification system facilitates assessment of the reliability of vendors of goods and/or services in terms of technical ability, quality and safety, organization, financial health and risk management. With a view to supplementing the Vendor Qualification process to include Corporate Social Responsibility, and in order to analyse and assess vendor attitudes and practices in this regard, in 2011 Saipem launched a new project based on the 'Fundamental Principles and Rights at Work' of the International Labour Organization

(ILO) and on the SA8000 social accountability standard. The areas pinpointed for analysis concern: child and forced labour, freedom of association and the right to collective bargaining, remuneration, working hours, discrimination and disciplinary practices, health and safety. The project has a twin objective: to integrate the current Vendor Qualification system with social and labour rights and to commence monitoring of some vendors through questionnaires and on-site visits. In 2011 checks focused on two major areas for Saipem – India and China. These

related to vendors operating in sectors in which Saipem makes significant purchases for its business. A total of 61 vendors underwent a document survey and 17 on-site audits were performed (10 in India, 6 in China and 1 in Singapore). The results of the checks were documented in audit reports and submitted to the Sustainability Committee. Where necessary, improvement actions were identified and followed through by means of monitoring. Further on-site audits will take place during 2012.

**Saipem has launched a campaign for Vendor Social Responsibility. Working with vendors, developing lasting relationships with them, and ensuring their compliance with the rules and standards of Saipem, are essential for guaranteeing long-term sustainable business.**



## NIGERIA

Capacity building and skills development of local resources is one of the cornerstones of SCNL's Local Content strategy in Nigeria.

In 2011, 86 people from host communities received a total of 62,433 hours of training in

a variety of disciplines such as Welding and Pipe Fitting, HSE, Dimensional Control and

Maintenance of Assets. In addition, SCNL awarded scholarships to 20 post-secondary/pre-university

students from the Rumuolumeni community to help them nurture their aspirations and ambitions.



## CANADA

Snamprogetti Canada Inc, a Saipem operating company, is committed to providing full support for First Nation vendors and to maximizing First Nation opportunities in general. To this end, the company issued a Local Aboriginal Opportunities Plan which helps clients build sustainable relations with First Nations.

Snamprogetti Canada established direct contact with specific businesses, reviewed the requisites for subcontracting and considered debundling of requirements to take advantage of First Nation partner skills. The company also provided information on First Nation capabilities, assessed the bundling of several aboriginal vendors to provide a broader range of services and utilized existing business communication

vehicles such as the Regional Economic Development (RED) Link, the Northern Alberta Aboriginal Business Association (NAABA) and the Fort McMurray Chamber of Commerce. Snamprogetti Canada operations across the world and in Northern Alberta apply the Corporate Aboriginal Employment and Business Opportunities Plan to achieve benefits for clients and First Nation communities. This Plan envisages progress

towards a diversified workforce that is representative of the qualified employable First Nation population within the region of each project. To ensure fulfilment of these commitments, Snamprogetti Canada asks employees to declare their ethnic origins when signing on to a project. Human Rights and Privacy Legislation must at all times be complied with when collecting this data. For their part, vendors and

subcontractors are asked to maximize opportunities available to First Nation businesses and people and to include in their quotes a plan that addresses Snamprogetti Canada's First Nation employment and business opportunity strategy by specifying the amount of local First Nation content to be used in their activities so that this can be monitored and accomplished.



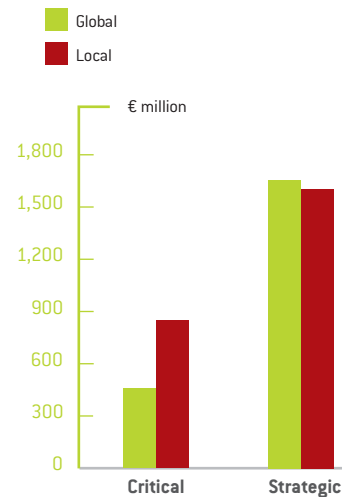
## CONGO

With the assistance of an external diving consultant, Boscongo carried out HSE and diving audits on four local diving sub-contractors with operating bases in Pointe Noire.

Diving operations are potentially hazardous by nature. It is therefore necessary to ensure that companies offering diving services have established safe operating procedures which have the full backing of management and are implemented by skilled and experienced staff. It is also important to monitor these procedures constantly to verify that they are being followed correctly. The aim of the audits was to select a suitable sub-contractor that would ensure the quality, health and safety of

operations and boost local skills. TPSMI, a Congolese national company, was chosen. Following the audit, improvement areas and corrective actions were identified and addressed with the purpose of achieving the highest possible safety standards. TPSMI also sent a number of local personnel on an IMCA (International Marine Contractors Association) training course.

## Criticality of Goods and Services

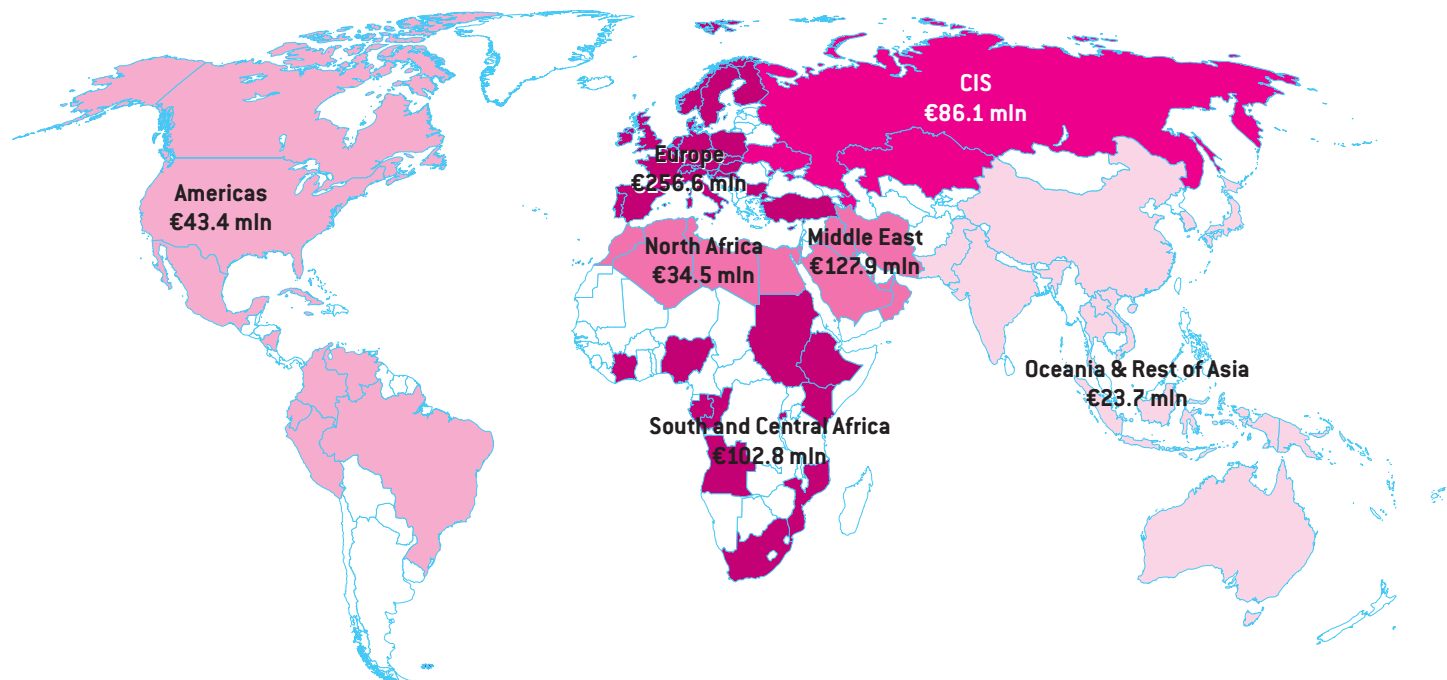


Out of a total of €5.8 billion in 2011 for orders of critical and strategic commodity codes, over 42% was ordered from local vendors. The critical and strategic categories concern, respectively, goods and services of average to high importance for the Company's performance for the manner in which they influence the quality of the final products and services offered.

## Frame Agreements

During 2011, a total of €1.8 billion (21% of the total) of materials and services was ordered under Frame Agreements. These are annual or multi-year procurement agreements designed to set terms and prices for the purchase of goods or services which are used often or continuously. They also give vendors the possibility to manage their operations more efficiently. The graph shows the amount ordered locally under Frame Agreements by geographical area expressed as a percentage of total local orders.

Local orders under Frame Agreements as a percentage of total local orders: ■ <5% ■ 5-13% ■ 13-21% ■ 21-30% ■ >30%



## Developing Local Employment Strategies

**In 2011 Saipem confirmed and strengthened its commitment to promote initiatives targeted at maximizing local human resources.**

Maximizing Local Content allows the Company to develop and maintain ongoing relationships with its host countries. Employing local workers on Saipem projects also enriches the diversity of Saipem's workforce and provides young talents from around the world with the opportunity to grow professionally in their native country or overseas.

The largest projects in 2011 focused on developing technological and managerial expertise. The methods adopted mainly concerned:

- training programmes (dedicated not only to young graduates, but also to future local managers) aimed at improving the quality of the local workforce, sharing know-how and developing skills and performances;
- scholarships, often made possible thanks to the Company's excellent relations with local institutions and international bodies;
- internships, with the purpose of boosting employment opportunities.

Saipem acknowledges the real opportunity provided by these initiatives, since not only do they provide services of high social value, they also meet the general strategy of efficient and effective human resources management, guarantee the Company's medium- to long-term presence on the local market and ensure

critical professional skills for future projects.



### INDONESIA

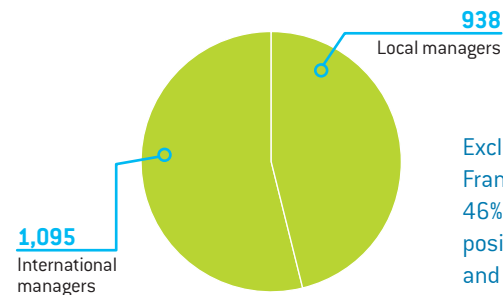
With the construction of the new fabrication yard, Saipem is the first international contractor for Oil & Gas investment on the island of Karimun. Given the economic context, one of the major challenges the Company has to face is manpower recruitment and training of local resources resident on the island.

In accordance with Saipem's Local Content maximization strategy, the manpower recruitment target for the Karimun Yard focuses on local resources from the island. Agreed upon with the Manpower Office of Karimun, the strategy aims to employ people primarily from Pangke village (the closest to the yard) and then from the rest of Karimun Island. Subsequently, resources will be recruited from the entire Riau Islands Province and, if necessary, from other Indonesian areas. Mobilization of international resources shall be reduced progressively to the minimum level possible. With this objective in mind, one of the core issues is the island's education system at all levels (from the elementary to junior and senior high school). Specifically, the current system does not seem to be

sufficiently capable of supporting the socio-economic changes that are expected to impact the island, especially considering the inevitable mobilization of resources from other areas of Indonesia in the first phases of yard activities. In addition, Saipem needs to improve the technical skills of local resources to international market standards in the medium- to long-term. For all these reasons, since the end of 2010 Saipem has been working on the project 'School Development in Karimun', the scope of which is the improvement of Pangke village schools. The planned actions have been shared with the local authorities, in particular the Educational Department of Karimun, and have received positive feedback. In 2011, the project principally concerned the upgrading of several facilities as well as training and awareness campaigns in the schools. These focused mainly on safety and

road accidents. Saipem also provided the elementary school, the junior high school and the senior high school with new technology, including projectors and personal computers. Furthermore, Saipem arranged the refurbishment of the canteen and the soccer field for the senior high school, the latter of which is still on-going. Finally, Saipem personnel worked in association with the Technical Institute (SMK1) to launch a new course for pipe fitters (the first class had 27 pupils). The Technical Institute was provided with modern welding, pipe-fitting and Personal Protective Equipment (PPE) and with HSE training. Additional activities are planned for the next few years, including possible cooperation with the local University. This should allow for better understanding of the Company's activities within the community and should also stimulate local development.

Local managers



Excluding Italy and France, more than 46% of managerial positions (middle and senior managers) are held by local employees.



## Expert Panel Report

**Review by Petter Matthews**  
Local Content is prominent throughout the 2011 report and its presentation includes important improvements on the 2010 report. It is encouraging to see that Saipem has listened

and responded to the comments it received from the Expert Panel last year. The inclusion of quantitative data from the 'Saipem Externalities Local Content Evaluation' (SELCE) Model is a particularly innovative improvement. This provides stakeholders with an objective measure of impact and, assuming data is published for the same countries in subsequent years, will enable them to measure progress

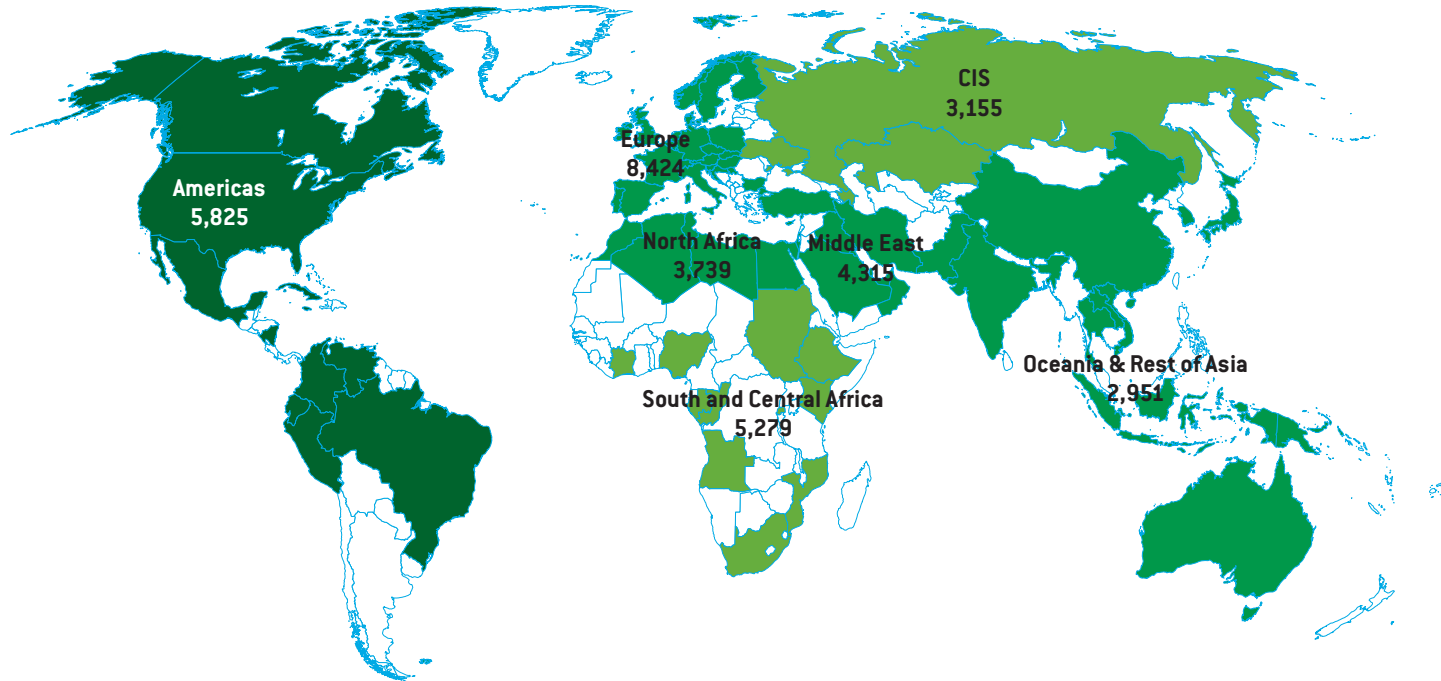
over time. It isn't explained why data is only available for a minority of countries in which Saipem operates, and consideration should be given to extending this approach in future reports. The quantitative data is augmented by case study material that provides useful contextual analysis. However, once again only a minority of countries is included, thus reducing the breadth in reporting. Saipem could consider providing a link

to additional information on the countries not covered in the report. Saipem has developed an approach to Local Content reporting that distinguishes it from most of its competitors. It provides quantitative and qualitative data that combine to provide in-depth analysis of its performance. The next challenge is to extend the breadth of reporting to include all Saipem operations, or at least those that involve a long-term presence.

## Local employees

Out of a total of 44,232 employees, more than 76% are locally employed, with high percentages in the Americas and North Africa.

Local employees as a percentage of the total workforce: ■ <40% ■ 40-55% ■ 55-70% ■ 70-85% ■ >85%



## Expert Panel Report

**Review by Arthur Minsat**  
The 2011 report answers many important questions with regards to Saipem's Local Content strategy. Various graphs, maps, tables and case studies clearly depict how Saipem monitors the

implementation of its Local Content approach, notably with regards to managerial competencies. For each country, additional information could specify the retention and promotion levels of local workers, as well as the share of local workers that benefited from training courses. The 'Saipem Externalities Local Content Evaluation' (SELCE) remains a valuable and multi-dimensional assessment of the impact of Saipem's operations. The report could, however, exhibit the

results of the SELCE analysis in a single table in order to compare the socio-economic impact of Saipem's business activities directly across countries. Saipem could also briefly outline the evaluation methodology adopted to inform the reader in regards to the robustness of the analysis. Highlighting the challenges encountered in countries with a low knowledge base could further enhance reporting on Local Content. It is important to emphasise how

Saipem strives to make a difference in precisely those areas where the share of the local workforce is lower than its global average. Whenever necessary, the report should briefly explain variations between 2011 and previous years, as the share of local workers and vendors may change substantially between different reporting periods (in the Congo, for instance, the share of the local workforce shrunk from 87% in 2010 to only 37.8% in 2011).



## Expert Panel Report

*Review by Khalid Ghozlani*  
Saipem's description of how it develops local employment strategies adequately captures and with various levels of granularity the common issues faced by a company with international exposure such as Saipem. Particularly, the report highlights the role of education as one of the main barriers to high

local content levels. Additionally, lack of opportunities for locals to benefit from training and be exposed to structured work environments and to workplace best practices plays an additional barrier to employability. In the island of Karimun Indonesia, Saipem adopted a mix of long-term solutions – improving junior schools environment, and short-term solutions – launching a course for pipe fitting, which is an excellent example of actions that are envisaged with strong sustainability objectives in mind. The abundance of case studies and the availability of relevant

figures capturing a snapshot of current results are a main strength of the report's section related to developing local employment strategies. Particularly, Saipem's approach to quantifying sustainable value of Local Content through the 'Saipem Externalities Local Content Evaluation' (SELCE) methodology is an excellent exercise to quantify overall economic benefits to society derived from the company activities. One should note that the methodology used captures the 'positive externalities' and therefore the definition of SELCE should be changed to 'Saipem

Positive Externalities Local Content Evaluation'. Once the effort to evaluate 'negative externalities' is completed, a SELCE value can be determined by subtracting the negative indicator from the positive one. Additionally, implementing a recommendation from the Expert Panel of 2010 to provide the percentage of managerial positions held by local managers is very relevant and provides the reader with a more specific performance indicator reflecting Saipem's efforts..



## ANGOLA

The Nationalization Plan is a process initiated by the Angolan Government to transfer expatriate job positions to Angolans. Saipem is working actively to achieve this target.

In order for the transition to be both successful and sustainable, it must comprise a gradual transfer of know-how from expatriate personnel to appointed Angolan personnel. Petromar, a major company of the Saipem Group working in the country, launched a Nationalization Development Programme (Angolanisation Programme) with the involvement of all key persons in the nationalization process, from Top Management down to heads of Departments and Supervisors. The Programme focuses on improving skills and transferring knowledge so that Angolan employees can cover managerial roles in the company. A Steering Committee was appointed with the scope of defining and monitoring the Programme and its execution. It is comprised of the main shareholders,

company management and the Local Content Development Manager. The Angolanisation Programme is based on a Competence Assurance System (CAS) controlled through the Competence Check List Tool (CCLT). It consists of an enhanced training plan, which includes conventional training and formal in-house on-the-job training and coaching as key factors for improving skills and boosting know-how transfer. Launched in 2010, Petromar's Nationalization Development Programme plans the Angolanisation within 5 years of 50 positions presently covered by expatriates. The Programme involves first of all mapping the knowledge and experience requirements for every position, following which interviews and tests are carried out to determine the existing gaps between the

competencies held by a specific candidate and those required by the job he or she should fill. This task was completed in 2011 for 27 positions which the candidates are expected to take up in the next 3 years. Twenty-three other positions still require a selection process to find the most suitable candidates to fill the profiles. This will be followed by interviews and tests to define any specific gaps that will then be plugged through targeted training. In this context, the expatriates become mentors for coaching and advising Angolans throughout the entire training process and the CAS allows both Angolans and expatriates to monitor progress. For some positions, especially in the Operations and Procurement Departments, a new system is being implemented to help local employees involved in the programme to acquire

international experience and improve their skills. In 2012 two candidates in Procurement will be sent to Saipem Sharjah for nine months. The first candidate will work as Section Leader and the second as Material Section Leader. As regards Operations, two candidates will work in Saipem Saudi Arabia as Pre-Fabrication Superintendents for a duration of 6 months. Following their international experience, the candidates will be observed for a period of 6 months, during which the local resource will take full responsibility for the position and the mentor will become an advisor or observer. If the feedback is still positive, the Local Content Coordinator will inform the HR Manager so that the Angolanisation of the position can be officialized.

# Quantifying the Sustainable Value of Saipem's Local Content

Local Content is usually measured only as a direct component of overall impact, meaning the effects directly linked to an operation (i.e. direct employment, direct purchasing by local suppliers, taxes paid to local government, etc.). However, this quantification underestimates the overall real impact and potential benefits of Local Content strategies. Indeed, effects on local communities go beyond pure direct spending, and include the indirect effects associated with the value generated along the supply chain, as well as the induced effects understood as overall beneficial value generated in the Society.

In 2009, Saipem launched a project to define a methodology for measuring these 'intangible' effects, moving from a 'vision and commitment' approach to one of 'measurement of results'. The model developed, known as Saipem Externalities Local Content Evaluation (SELCE), allows analysis and measurement not only of direct effects but also of 'externalities', given by the indirect and induced components of the socio-economic impacts generated by Saipem Operating Companies in the countries where they operate. The output is a quantitative evaluation, mainly in monetary terms, of the socio-economic and

sustainability effects produced by the Local Content strategy. Three categories of impact are analysed and measured:

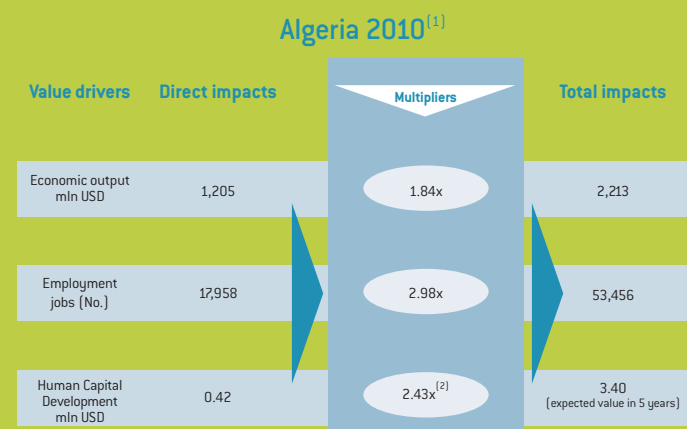
- economic output, understood in terms of locally sourced purchases, local taxes paid and remuneration of employees, calculated as direct (generated by Saipem's operations), indirect (generated by the increased value created along the supply chain) and induced (generated by additional disposable income for household consumption) impacts;
- employment, calculated as direct, indirect and induced jobs generated;
- human capital development, in terms of increased life-time earning expectancy for employees due to the training

received from Saipem. The model consents calculation of the total impact (given by the sum of the direct, indirect and induced impacts) and the multiplier factor (which indicates the size of the impact) for each impact category.

In addition to the studies already conducted in 2009 and 2010 on all Saipem Operating Companies and projects in Kazakhstan (Ersai Llc), Peru (Petrex) and Angola, in 2011 the SELCE model was also applied to Nigeria and Algeria.

## Results for Algeria (reference period 2010)

**Economic output:** the Saipem Group's contribution to the Algerian economy was 1.84 times direct expenditure calculated



[1] Due to the rounding off of multiplier values, in some cases the sum of the direct effect and the multipliers differs from the total effect.  
[2] Multiplier 2010 and impacts are calculated on the first year of training, taking into account the direct impact and the 5 year average of the net present value of indirect and induced impacts.



from the cumulative values of local purchasing, salaries and taxes. This means that for each 1 USD spent by Saipem, an additional 0.84 USD was generated in the economy. **Saipem's contribution to Algerian GDP was about 1.3% of the Country's GDP in 2010.** The Provinces of Oran and Ouargla benefited most from Saipem operations, accounting for 22% and 21% respectively of overall economic output.

**Employment:** the Saipem Group's contribution to Algeria in terms of total employment is about 3 times local direct employment. In total, more than 53,000 jobs were created as a result of Saipem Group activities in the country in 2010. Along the supply chain, sectors such as sub-contracting and other services (security, legal, etc.) were the principal beneficiaries of job creation.

**Human capital development:** the Saipem Group's contribution to Algeria's human capital development is about 2.43 times the Group's direct expenditure in training. Hence, as a result of the Saipem Group's activities in Algeria, the expected economic value generated over a five-year period in terms of local employee salary gain is in the order of USD 3.4 million.

**Results for Nigeria (reference period from 2007 to 2010 - 4 years)**

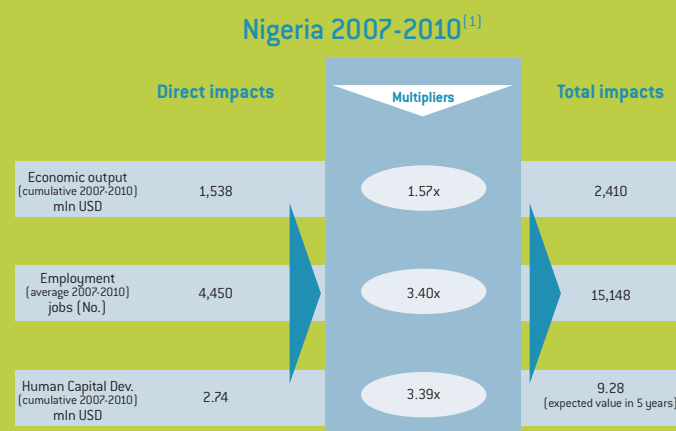
**Economic output:** the Saipem Group's contribution to the Nigerian economy was 1.57 times direct expenditure calculated from the cumulative values of local purchasing, salaries and taxes from 2007 to 2010. This means that for each 1 USD spent by Saipem, an additional 0.57 USD was generated in the economy.

**Saipem's contribution to Nigerian GDP was about 0.44% of the country's GDP in 2010.** Rivers State, where Port Harcourt is based, benefits most from Saipem operations, accounting for 53% of overall economic output.

**Employment:** the Saipem Group's contribution to Nigeria in terms of total employment is 3.4 times local direct employment. In total, an average of more than 15,000

jobs per year have been created as a result of Saipem Group activities in the country in the four-year reference period. Sub-contracting is the industry that mostly benefits from the creation of indirect jobs along the supply chain. In 2010 Lagos and Rivers State benefited respectively to the tune of 46% and 33% of total employment impact generated by Saipem in Nigeria.

**Human capital development:** the Saipem Group's contribution to Nigeria's human capital development is about 3.39 times the Group's direct expenditure in training. In 2007-2010 Saipem trained more than 1,300 employees for a total of over 210,000 training hours. Saipem's cumulative investments in training are expected to generate an overall economic impact of USD 9.3 million over a five-year period.



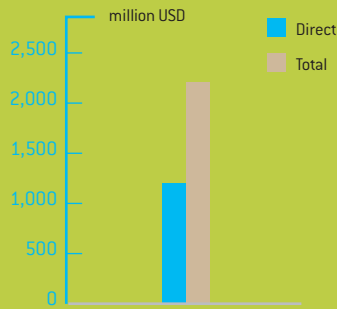
(1) Due to the rounding off of multiplier values, in some cases the sum of the direct effect and the multipliers differs from the total effect.

**Results of the application of the SELCE Model**

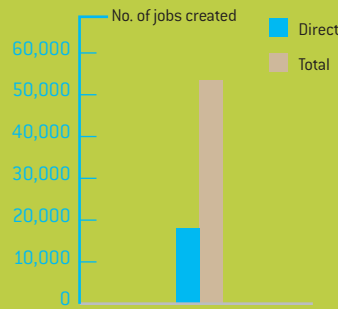
**ALGERIA**

The study covers all of the Saipem Group's operations in Algeria in 2010, with a particular focus on the provinces of Oran and Ouargla. It shows that Saipem's contribution to Algeria's GDP was 1.3% in 2010.

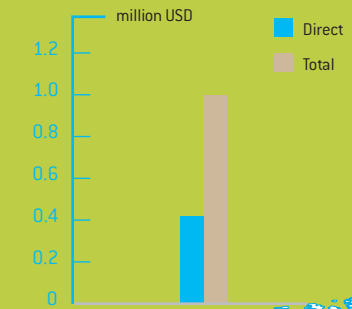
**Economic Output**



**Employment**



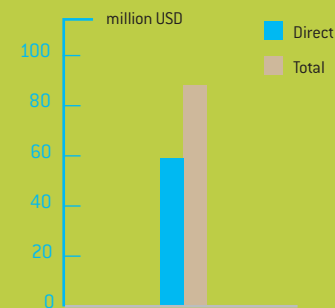
**HCD**



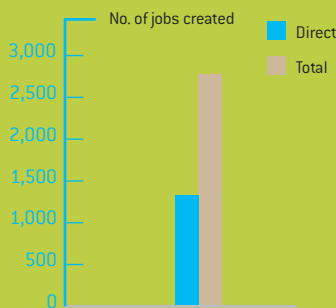
**PERU<sup>1</sup>**

The study covers Petrex' activities in Peru in 2009 with a special focus on operations in Talara and Iquitos. It shows that the operating company's contribution to Peru's GDP was 0.05% in 2009.

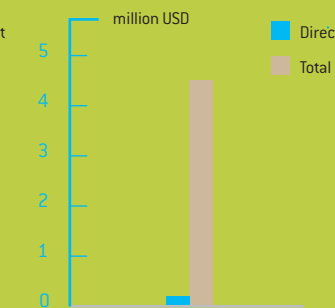
**Economic Output**



**Employment**



**HCD**

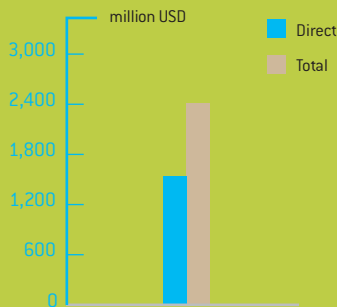


[1] Reference to Sustainability Report 2010.

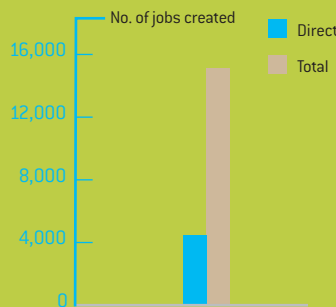
**NIGERIA**

The study covers Saipem Contracting (Nigeria) Ltd (SCNL) and Saipem (Nigeria) Ltd (SNL) operations in Nigeria from 2007 through 2010. Results are shown as a cumulative value over the 4 year period while an average value is given for employment. The study shows that Saipem's contribution to Nigeria's GDP was 0.44% in 2010.

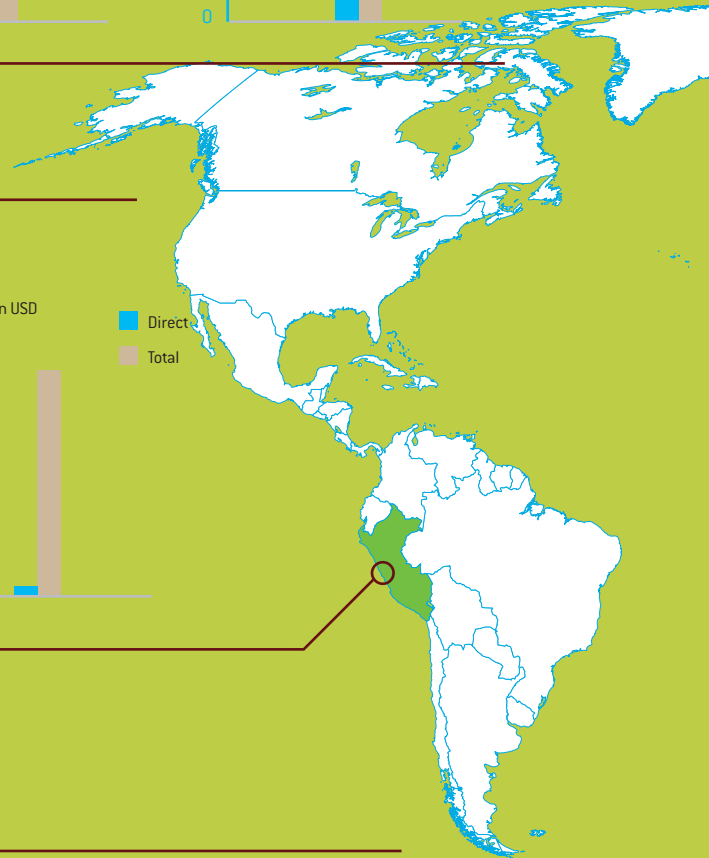
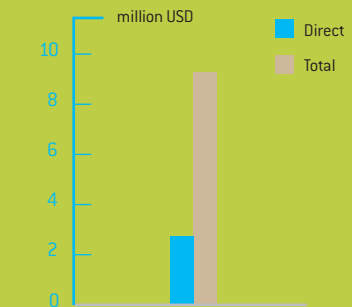
**Economic Output 2007-2010 (cumulative)**



**Employment 2007-2010 (average)**



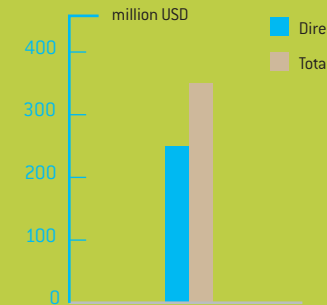
**HCD 2007-2010 (cumulative)**



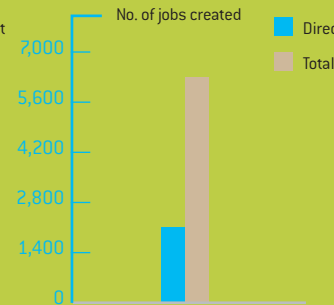
### KAZAKHSTAN<sup>1</sup>

The study covers all activities of Ersai Caspian Contractor Llc (a Joint Venture between Saipem International BV and ERC Holdings). It shows that Ersai's contribution to Kazakhstan's GDP was 0.34% in 2010.

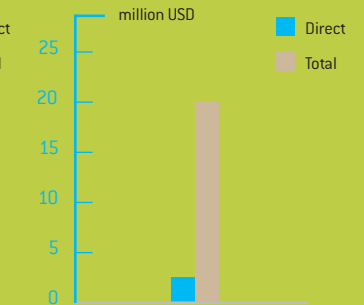
#### Economic Output



#### Employment



#### HCD



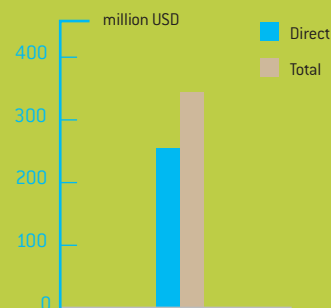
[1] Reference to Kazakhstan Case Study.

In order to establish the most appropriate estimation methodologies to use, a vast corpus of literature on economic impact assessment was examined. From this it emerged that the Input/Output matrices and the Business Case method were the most suited to Saipem's specific needs and these in fact have been adapted and integrated into the current SELCE model.

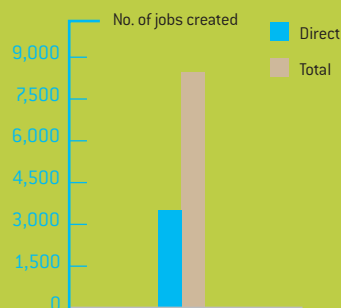
### ANGOLA<sup>1</sup>

The study includes operations and projects in Angola conducted by Petromar Lda, Kwanda Lda, Saipem sa Angolan Branch and Saipem SpA Angolan Branch. It shows that the Saipem Group's contribution to Angola's GDP was 0.41% in 2009.

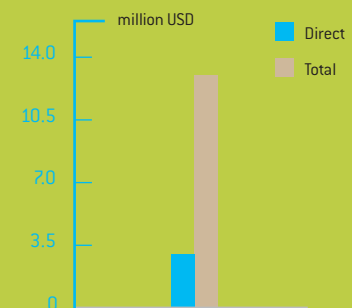
#### Economic Output



#### Employment



#### HCD



[1] Reference to Sustainability Report 2010.



*'Pioneers of Change'*

Nilo Jr. Caras

# Making People a Strategic Asset

The People Management System is a cornerstone in Saipem's pursuit of long-term sustainable growth.

The diversity of Saipem's workforce, which consists of employees of various nationalities, ages and genders, provides the Company with a clear competitive edge in today's complex

and challenging market context.

Saipem is constantly working on the development of human capabilities and skills and prioritises merit in the evaluation process with no discrimination in terms of sex, age, religion or ethnic origin.

## Improvement of the human resources management process

### The mobility of human resources is a strategic business lever of the Saipem Group.

With this in mind, in 2011 the Company commenced and brought to completion a process of analysis and benchmarking of the models and best practices of employee allocation currently in use in Italian and foreign companies. In a perspective of alignment with best market practices,

Specifically, a tailor-made provisional information tool for the monitoring and management of human resources are being developed for implementation. With a view to constant improvement of international allocation processes, a series of guidelines for specific countries of allocation are being designed

standardization of guidelines for the management of expatriates and, finally, improvements in the transparency of communications with employees, in July 2011 an operating procedure was issued covering the management of Italian personnel on overseas allocation. In defining the economic, organizational and

to standardize contract, welfare, tax, payroll and cost recharge management, in compliance with local laws and specificities. The

logistical aspects of foreign allocations, the procedure acts as a support tool for the daily operations of the BUs and local HR departments. As regards remuneration, on the other hand, since this is a particularly strategic theme for ensuring good outcomes of allocation projects, the procedure was taken further

purpose of the project is to boost Corporate's role of guidance and monitoring and, at the same time, to spread awareness in the

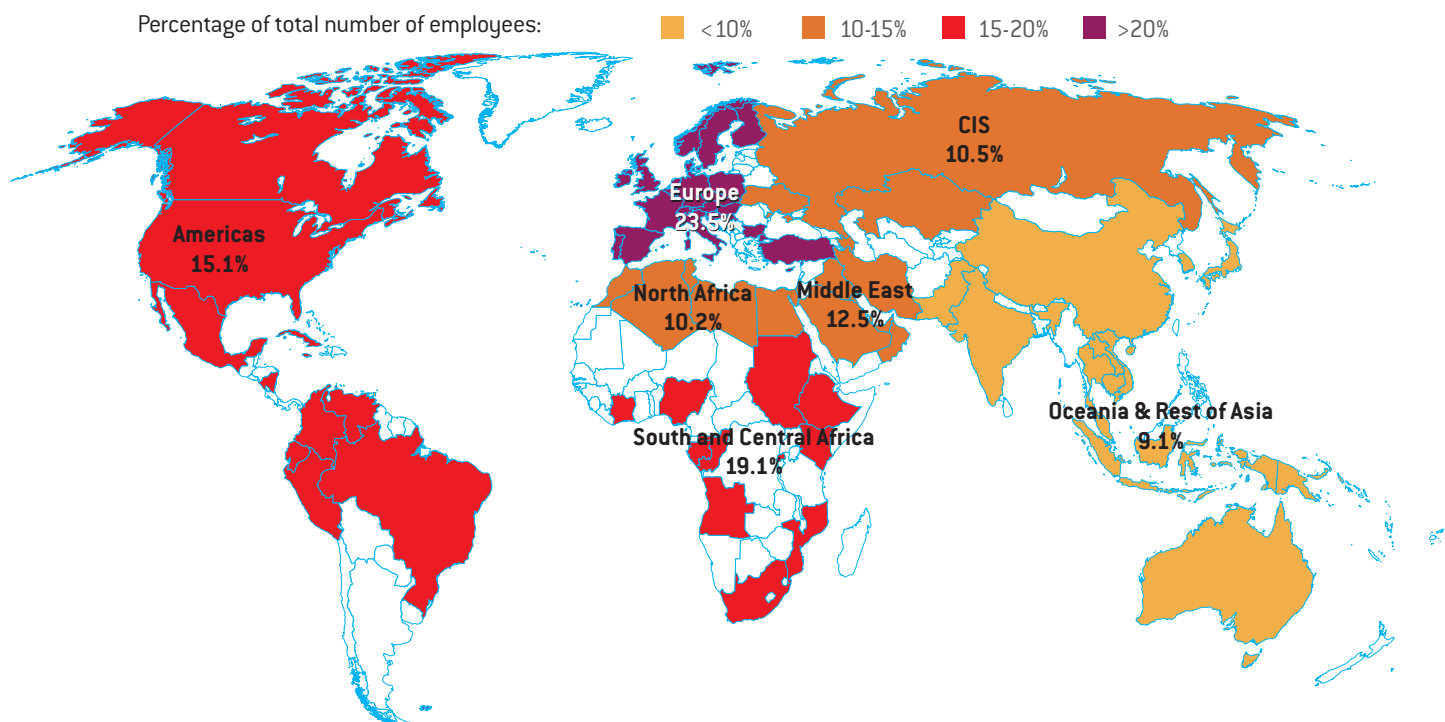
and accompanied by specific manuals for the timely definition of a shared logic and benchmark values. Training initiatives were planned on specific management themes (personnel administration, foreign allocations of personnel) to increase the level of internal skills and define common lines of approach on the issues at stake.

Business Units of the processes of foreign allocation, thus stimulating the creation of a true culture of international mobility.

### Saipem has set up a number of reporting initiatives, with the aim of providing central monitoring of 'critical' phenomena in terms of their significant impact on Company costs.

#### Workforce distribution

Out of a total of 44,232 employees at the end of 2011 (an increase of more than 7% compared with the previous year), more than 10,000 work in Europe. The rest is distributed quite homogeneously in the other geographical areas of operation. More details on Saipem's workforce as well as data on the tools used for human resources management are available in the Addendum to the Sustainability Performance.





## ALGERIA

In February 2010, a medium- to long-term framework cooperation agreement was signed in Algeria between Saipem Contracting Algérie SpA (SCA) and the University of Science and Technology of Oran (USTO). This aims to take full advantage of local resources on Saipem projects and to work towards achieving significant developments in the local education system and in the knowledge and skills of people potentially employable in the Oil & Gas industry.

Several initiatives were undertaken on various fronts during 2011. These included the pilot scheme launched in the 2011-2012 academic year for the integration of a 370 hour programme on 'Project Control/ Project Management' into the already existing Master's degree offered by USTO. Moreover, a two year Master's course was set up consisting of one introductory year and a second year of 400-450 hours of theory classes and 400 hours of practical work

focusing exclusively on HSE themes. In addition it was created a three-monthly training scheme covering specialist welding techniques for 32 young holders of a professional welding diploma. This latter training programme was realized in cooperation with the Labour and Training Departments in charge of employment policy in Algeria. Coordination with local institutions, among which the University of Ouargla and the Department of Professional Training, subsequently led to the

setting up of a Saipem Welding School. It is important to stress that all of these initiatives include a parallel teacher training programme which will facilitate the reduction to a minimum of Saipem's direct involvement in future activities by ensuring the transfer of know-how from Saipem to local partners, including USTO and the National Department of Professional Training. To round off these training instruments, a plan was designed

for the recruitment of young graduates for on-the-job training in all departments of the GNL 3Z site, in particular in the QAQC and HSE project teams. In the medium- to long-term, this comprehensive strategy of locally based training, achieved through the involvement of the main local stakeholders and institutions, will provide a catalyst for generating critical professional skills that can be used on future projects and add real value to the high-level local workforce market.

### During 2011, a cycle of seminars was organized in all Italian offices for permanent department managers.

A new module was introduced to consent management of communications by exploiting the personnel database to launch campaigns and diffuse questionnaires. All of this is achieved not by means of a general mailing list, but rather by targeting specific audiences. The results of feedback campaigns are then processed in the system itself. Another recently boosted module is the one used both by employees (to fill in their timesheets) and by managers (to insert their assessments of staff performances). On account of the changes made, the module will

allow employees not only to have access to some personal and job related information and data, but also to compile their CV by listing the professional experience, abilities and skills gained both inside and outside of Saipem. For their part, the managers will be able to create reports and visualise personal and job related data, as well as examine the CVs of the staff of whom they are the direct or indirect supervisors. Access to data will allow slimming down and optimization of authorizational workflows, facilitate and encourage the active involvement of employees,

These were designed as an information tool for innovative initiatives and projects and for sharing best practices in Saipem. The programme will proceed in 2012, with the aim of supporting managers in the consolidation

of operative skills for the more efficient management and suitable development of staff members. The most important topics will be the updating of professional roles on the system and issues related to rewards for personnel.

and contribute to making personnel more responsible and autonomous. The possibility of uploading one's CV meets the need to develop greater awareness and sharing of the experiences and information that have characterized the work history of the employee. In 2011, more than 40 companies activated GHRS, thus doubling the number of companies and workers present in the system. The upshot is that about 95% of the operative companies are now present in the system and about 96% of the workforce is managed by GHRS.

### The Saipem Group's ICT function for HR process management has strengthened its tools to improve communications and transparency between employees and the Company.



## ANGOLA

Petromar, the Saipem operating company in Angola, has set up two complementary Scholarship Programmes.

The first is a 'recruitment incentive' offered to students from different universities who have shown real commitment and interest in working with Petromar. Once they have completed their studies, these students commit to working for Petromar for a minimum of two years, thereby receiving invaluable on-the-job training.

The second is an 'internal scholarship' and involves

Petromar employees interested in improving specific skills or knowledge by attending a range of university courses linked with activities performed by Petromar.

As of 2011, a combined total of 29 individuals have received scholarships, 19 of whom are employed in Petromar in various functions.

## In keeping with the overall organizational strategy, the International Payroll System (IPS) staff are designing and implementing new software (IMS) to meet Saipem's new global payroll needs.

The International Payroll System implies the relocation of the local payroll departments of the

Group to SIP, Saipem Chennai, for local and international staff. A global survey to investigate the feasibility of relocating the payroll activities of each country has been carried out. There are many good reasons for choosing India as the destination for outsourcing business services. These include a large pool of skilled manpower coming from the emerging middle class, a strong knowledge base and, last but not least, a significant English speaking population. The main expected benefits are an improvement in the organization's efficiency, an increase in productivity, a development of common reporting tools for the Group and a competitive edge to Saipem business.



## AZERBAIJAN

As part of its long-term vision as a prominent employer of local resources in Azerbaijan, since July 2010 Saipem Asia Azerbaijan Branch, in partnership with Junior Achievement Azerbaijan, has been pursuing a sustainability educational initiative called 'Summer Internship for Young Graduates'.

The main idea behind this initiative is to establish a formal mechanism to allow talented youth to develop on-the-job experience during summer internships in Saipem, to acquire practical skills and, in general, to prepare for the workplace before they formally enter the labour market. Saipem Asia Azerbaijan Branch signed a partnership agreement with Junior Achievement Azerbaijan (JAA) for the selection of the most suitable young candidates from the Azerbaijan Oil Academy and other technical universities of Azerbaijan. These would undergo targeted training in the disciplines and skills required by Saipem. Candidates would then be assessed and the best ones

would have a chance of being recruited by Saipem at its offices in Azerbaijan. In January 2011, 30 students were selected to participate in 'Success Skills', a programme designed to provide engaging, academically enriching and experiential learning sessions in work-readiness education and career perspectives. Upon completion of the programme in April 2011, the students submitted their workbooks and CVs to JAA who, together with Saipem, conducted a selection process based on student performance during the training programme, on post-training evaluation and on interview results. Five students were then selected to participate in the internship programme in Saipem.

These were assigned special targets indicated in the Job Shadow Programme guidebooks and all department heads were provided with a 'Workplace Host Guide' to help then mentor the internees better during their internship. Within 3 months the students had fulfilled their targets and completed the projects assigned. As they stood out for their efforts and their willingness to work for Saipem, it was decided by Company management to keep them on as 'Trainees' until the end of 2011. In the second phase of the initiative, Saipem and JAA will fine-tune the programme's mechanisms to maximize their beneficiary impact both on Saipem and on the community where it operates.

To this end, the partnership between Saipem and JAA has been renewed for the 2011-2012 academic year in the Youth Work-Readiness Programme. This time, however, it will target only final year students, since these will be in a better position to enter the workforce at the end of their internship. Finally, in addition to the Azerbaijan Oil Academy, JAA plans to involve students from the Azerbaijan Technical University and the University of Architecture and Construction.



## Enhancing skills and career development

**A process for redefining the People Strategy is underway in relation to selection, training development and communication. This will lead to a review of the People Development model with the aim of making it more efficient, attractive and usable by management and employees in support of the Company's business strategy.**

The project, which is still ongoing, has already contributed to the definition of the Employee Value Proposition, i.e. the overall experience that current and potential Saipem employees

will acquire by taking part in Company projects. The development of human resources has been largely influenced by new paradigms and by the revision and updating of

methodologies and tools strictly linked to the redefinition of the People Strategy. The personnel 'segmentation' process has been reviewed with the introduction of the concept of potential utility

(functional, interfunctional and geographical) as an assessment criterion, and the new methodology for surveying the potential of young resources and expert personnel has been circulated.

The creation of advanced and fruitful forms of school-work partnership, in a perspective of a synergic exchange of know-how between the two institutions, has facilitated the promotion of a work culture and of the technical skills that are critical for the development of the professional qualities required. Within this scenario, the 'Saipem High School' project was hatched with the aim

**In accordance with Saipem's policy for the professional growth and employability of youth, employee branding was conducted at some of the best Italian technical schools and cooperation with a limited number of selected institutes commenced.**

of favouring the employment of young school-leavers for technical-specialist careers, thus supporting the business in the internal creation

and development of critical and professional roles. The partnerships undertaken facilitated a selection programme targeted at the

placement of young resources in specific training schemes: 65 young people from all over Italy took part, for a total of over 2,000 training hours, in modules differentiated according to the training context. These were dedicated to offshore operations, specialist and process engineering, construction, drilling and to business support activities such as project control and quality assurance projects.



### KAZAKHSTAN

Saipem SpA has been awarded the detailed engineering design, construction, installation, system control and data acquisition contract for the Kashagan Field Development Experimental project. In the framework of its promotion of Local Content, in 2010 Saipem Kazakhstan launched a long-term specialist marine training programme for young graduates.

Upon completion of the course, students will apply all knowledge and skills acquired in Saipem Kazakhstan, thereby replacing current expatriate personnel. Saipem Kazakhstan has involved the International Maritime College Oman (IMCO), one of the biggest institutes of higher education in the world, which prepares students for international jobs on ocean-going vessels, as well as in major ports and multinational (petro)chemical process companies. Since all teaching and training are done through

the English language only, a preparatory English course was offered to all students so that they could reach the required language level. In February 2011, candidates underwent tests and interviews. The Saipem HR Training Department and IMCO representatives selected eight students who showed good knowledge of English, Maths and IT. The Deck Officer and Marine Engineer programmes, total duration of which is three years, started in September 2011. During the first semester,

students studied several subjects, attended classroom training sessions, undertook practical training in workshops, laboratories and on simulators, did assignments, took part in seminars and made field visits. The two students attending the Deck Officer diploma programme will learn to navigate, manoeuvre and, in more general terms, operate the ship. Training includes health and safety courses such as firefighting and lifesaving, cargo handling, ship stability and also environmental

and quality issues, as well as training on state-of-the-art full mission bridge simulators. The six students studying on the Marine Engineer diploma programme learn how all the different technical installations on a ship work and how to maintain them properly. Practical training on high-tech engine room simulators and machine laboratories is also provided. Saipem SpA Kazakhstan Branch is planning to send 4 more students to IMCO from Kazakhstan in 2012.

## During 2011 a rationalization and formalization project was started up with a view to illustrating and structuring the process of identification and certification of the skills of all keyrole professionals working on board offshore construction and FPSO vessels, including the very critical professional skills of maritime personnel.

As early as the recruitment phase, the pilot project distinguishes and details the actors involved, their responsibilities, the activities

they carry out and any gaps in role cover that need to be bridged by training and development measures. In this regard, a matrix of technical and

professional HSE courses will be identified for each role. The 'Competence Assurance & Assessment (CA&A)' process will be set up by a pool of about 20 assessors chosen by Top Management from among Saipem supervisors and line managers. These resources will be trained by an outside company, Maggie Braid Associates (MBA) (accredited both by the Offshore Petroleum Industry Training Organisation (OPITO) and by the International Marine Contractors Association (IMCA), the international agency that represents companies operating in the offshore marine and underwater engineering sector for the certification of

skills), in such a way as to ensure autonomy during implementation of assessment measures on each vessel and for each professional role to be evaluated. The skills identified for each professional meet the explicit requirements of the International Maritime Organisation (IMO) (a United Nations agency specializing in safety and security for ships and for the prevention of environmental accidents linked with navigation) and by the IMCA. The first few months of 2012 should see the issuing of the procedure and the formation of the pool of assessors that will oversee the implementation of the first CA&A sessions by December of that same year.



### PERU

Employees and their families are important stakeholders, and Petrex organizes activities to share the Company's values with them.

The 'Land of Children' journey was organized in Lima so that the children of employees could visit a community where other kids like themselves share their concerns about nature and show how they take care of their own 'Land of Children'. These are small gardens where children grow three kinds of plant: one that they like, one useful for their community and a third to preserve the environment. In a similar vein, Recycling Workshops were carried out in Talara, where Petrex children learned to use domestic waste (bottles, newspapers, magazines, etc.) to craft useful items such as wallets, photo albums or ornaments (i.e. plastic flowers).

This sharing of values has also led Petrex to teach children about their rights in a way they can understand. 'Art Workshops for Children's Rights' were carried out in Iquitos, where the main social problems include child labour, malnutrition, teenage pregnancy and a lack of adequate sanitary infrastructures. In an effort to contribute to the education and culture of the children of company employees through art, and to strengthen their knowledge of their duties and rights within society, Petrex SA organized a series of workshops targeted at 50 children aged between 8 and 15. These started in May and lasted four months. With the

cooperation of the Higher Public Institute for Arts Training, the Art Workshops covered drawing and painting techniques and dance and music, while the Workshops on Rights and Duties, consisting of eight meetings with a psychologist, allowed the children to learn more about their rights and duties at home, at school and in society. Petrex is committed to improving the wellbeing of family members. A healthy diet and proper hygiene in handling food could help prevent several health problems and positively influence mood and concentration, especially among children. Adequate oral hygiene is also considered an important

issue because it helps prevent several dental diseases. These issues are of particular importance within the community of Iquitos, the largest city in the Peruvian rainforest, with a population of over 400,000. Here Petrex organized a workshop to develop and strengthen the awareness, mainly of employees' wives, of a proper approach to nutrition and oral health for the entire family. This campaign was supported by the National Institute of Labour Skills (INDECOL) and the RB Dent dental clinic. The first workshop, which lasted three days, took place in April, while the second was held in September.



## Expert Panel Report

### Review by Cyrille Putz

The case study describing the partnership between Saipem Contracting Algérie SpA (SCA) and the University of Science and Technology of Oran (USTO) is an interesting example of integrating new classroom courses and on-the-job training into existing curricula, with the aim of developing the labour skills that Saipem and, indeed, the entire Oil & Gas industry in Algeria are in need of.

The project to review Saipem's 'People Strategy' seems very

interesting and will certainly lead to more transparent and efficient access to opportunities related to career development and training for Saipem's employees. More concrete examples of that programme, and details about the link with the 'Saipem High School' project (which is laying the foundations for potential future employees), would have given a better overall picture of this strategic priority for Saipem. The designation of 'Knowledge Owner', an employee recognized as having specific 'know how' in a

certain domain, should really help strengthen links and the sharing of technical information and knowledge inside Saipem's organization. Cooperation between Ersai and the Kazakhstan Welding Association demonstrates how an international company can participate in developing the local skills and competencies of a country while at the same time preparing to meet future staffing needs for its own operations.

**With the purpose of promoting and optimizing the specific skills and strategic know-how which resources possess, the title of 'Knowledge Owner' was introduced into the professional system and was communicated by way of an Organizational Notification.**

Knowledge Owner cadres are recognized as holders of elevated know-how deemed particularly precious, both directly and indirectly, for the achievement of Saipem's strategic objectives. In light of this, the Knowledge Owner is asked, during the carrying out of his/her duties and within his/her own organization, to make even greater efforts in terms of

the development and internal circulation of the technical and specialist skills that he or she owns. This commitment can be in the form of tutoring young resources belonging to the same department, the processing of proposals targeted at the development of knowledge and professional skills and, finally, teaching.



## KAZAKHSTAN

A lack of availability of professional skills led Ersai to open its Training Center in 2005. The first vocational training courses were organized for local people to improve their abilities as required by the Company. The Kazakhstan Welding Association (KazWeld) was founded in 2011 with the participation of Ersai.

The growing needs of the national economy require not only that the number of blue-collar workers be increased, but also that the quality of their education be improved and that the efficiency of the entire welding industry in Kazakhstan be enhanced. This will promote the development of Local Content and ensure the competitiveness of Kazakhstani specialists, and the industry as a whole, at international level. KazWeld has brought together

a number of educational organizations, including the largest Polytechnics in the Republic, as well as powerful industrial enterprises such as the Ministry of Industry and New Technologies, the Ministry of Oil & Gas, the KazEnergy Association, TengizChevrOil, Arcelor Mittal and JSC. In 2011 the Republic of Kazakhstan, represented by the Karaganda State Technical University and KazWeld, joined the Institute of Welding (IIW),

which now has 55 member countries. The role of KazWeld is to represent Kazakhstan in the IIW, to represent the IIW in Kazakhstan and to organize the exchange of scientific and technical information with the IIW. KazWeld has set itself the goals of helping Kazakhstan join the International Authorization Body (IAB) for accreditation and certification, implementing international standards for

welding training, education and certification in Kazakhstan and, last but not least, accrediting specialist centres for training in accordance with IIW international standards. KazWeld should be officially recognized by the IIW as a certified welding training centre by the beginning of 2012 and the first international welder course is scheduled to start in the first quarter of that year.

## Ensuring Security for People and Assets

**Considering the evolution of Saipem's business and industrial regulations, the specificity of its business areas, of the international contexts where it works and of the technologies it uses, the security of Saipem's people and assets are a top priority for Company.**

Two specialist units were set up in 2011 for implementation of the guidelines and policies through the direct management and/or coordination of security in all Saipem operating companies in Italy and abroad. The two units in question are located in Zurich and San Donato Milanese and report to the Corporate Security Manager. As a company operating in the global Oil & Gas business,

Saipem is called upon to satisfy its Clients' requirements in many countries characterized by volatile and precarious security conditions. As a consequence, Saipem's security standards to protect its own personnel and assets and to meet its Clients' security requirements must be taken into consideration from the moment a strategic decision is made to enter the market in a new country or to participate in a

tender in a country where Saipem is already present.

Client security requirements and existing security concerns related to a specific country and/or project are assessed from the beginning of the commercial phase of each project. The results of this assessment must be weighed up in order to determine the estimated human, material and organizational resources needed to satisfy security requirements throughout the execution phase of the project, to determine whether the results of the assessment carried out during the different commercial phases are still valid and, finally, to ensure that existing threats are addressed adequately. In the case of partnerships, security standards of the partner(s) must be in line with Saipem's Security Policies,

Standards and Procedures. In the event of discrepancies, the Area Security Manager is responsible for agreeing on a bridging document (MoU, Memorandum of Understanding) between the partner(s).

The foundation of this structured approach is in-depth knowledge of the specific Operational Environment (OE) understood as the combination of existing conditions, possible circumstances and other influencing factors that affect the bid/project decision-making process. This is coupled with an understanding of the overall political, military, economic and social situation in the area in question which is vital for identifying the type of security organization needed to ensure that Saipem can bring its projects to successful completion.

**The development of internal networking is a central theme on which Saipem has been focusing for many years. The aim is not only to ensure that employees receive a constant flow of information and to diffuse a common business culture, but also to facilitate dialogue and cooperation between people.**

During 2011 Saipem continued to publish the in-house magazine 'Orizzonti', available both in print (15,000 copies) and online. Now circulated in separate Italian, English and French editions, for the past 15 years 'Orizzonti' has provided employees with updates on the main projects underway and also has sections dedicated to HSE and local sustainability. The intranet portal has been developed and is constantly updated to allow all users connected to the Company network to communicate and receive information both quickly and uniformly and thus to forge among employees a sense of belonging to a sole Company regardless of their specific location.

Personnel in charge of coordinating local area initiatives received special intensive training in 2011. Furthermore, an in-house portal dedicated to the theme of sustainability was set up as a tool for sharing the information, documents, experiences and best practices developed in local areas. Again in 2011, various events were launched to boost employee awareness of sustainability issues. Among these was the Sustainability Photographic Award, now in its third year, which aims, by means of photos taken by colleagues the world over, to forge a critical understanding of how sustainability is perceived during everyday working life in Saipem.

The Saipem Corporate Newsletter is published on a two-monthly basis and focuses on both international news and Saipem sustainability projects around the globe. This is accompanied by various other Newsletters produced by the main operating companies who, however, place more emphasis on the dynamics of Local Content and the Company's commitment at local level. During 2011 an intensive project was launched to standardize the management tools used to improve and develop the networking skills and competences of professionals working as Sustainability Facilitators on local projects.



*'Do Greengineering!'*

Raul Jimenez

# Health, Safety and Environment for a Sustainable Future

Over the last decade profound changes have been taking place in the Oil & Gas industry.

Developments have become larger and more challenging and there has been an increased focus on EPC and EPIC contracts.

Saipem's business strategy is affected by global market trends and the Company is aligning all of its resources and management systems to meet

these. This has provided Saipem with new opportunities to upgrade in order to tackle the new challenges that the current context presents. The National Oil Companies are taking on an increasingly decisive role and to satisfy their needs it is essential to design solutions based more and more on local specificities and opportunities, from design phase through to construction.

## HSE Management System

**Strategic development by geographical area, coupled with the new business approach, is having a significant influence in all areas of work organization, HSE system development and implementation included.**

The number of subcontractors involved in Saipem projects is noteworthy, accounting for more than half the hours worked at Group level. Specific programmes have therefore been implemented to ensure continuous management of their activities, since these have an important

impact in terms of the hazards and risks generated both for the project itself and for the health and safety of Saipem personnel. Another critical HSE issue is the high presence of Local Content. In order to minimize the potential risks engendered by local unskilled resources, a multi-

channel transfer of know-how has been adopted. Special centres have been set up on Saipem projects and sites so that HSE training can be delivered in the classroom and on the ground. Finally, Saipem has launched the Leadership in Health and Safety (LiHS) programme as well as

an Environmental Awareness Campaign in order to involve the entire workforce in the various initiatives developed locally and thus reinforce the Group's HSE policy and mission worldwide.



### Expert Panel Report

*Review by Cyril Putz*  
In its health and safety strategy, Saipem is going beyond the usual tender and contractual audit processes by investing resources in training centres in order to support subcontractors and vendors in managing HSE risks.

This means Saipem can reduce its own risks in a responsible manner, while contemporaneously allowing subcontractors to progress and be up to speed with international HSE standards and potentially to expand their markets to other oil and gas projects in the same region or country. The case studies on Ersai in Kazakhstan and Petrex in Peru illustrate this type of investment to strengthen local capabilities. Regarding HSE training hours per country, the scope and methodology

of the calculation should be better detailed. For example, Saipem should consider drawing the line between dedicated HSE training courses and specific vocational training initiatives. The growing Leadership in Health and Safety (LiHS) Program is a strong platform that allows dissemination of best practices and the gathering of facts and data from every country in which Saipem conducts operations. It enforces cultural change toward H&S and gets the 'buy in' from every level of the company. The new

LHS Foundation is participating to broaden diffusion of those practices and to generate exchange around them with external stakeholders. Saipem's efforts to raise employee awareness of malaria show consistent results (malaria case rate down from 1.57 in 2003 to 0.24 in 2012). But systematic awareness campaigns targeted at the families of those employees should be launched, and could be inspired by current Saipem programmes in Congo, Nigeria and Angola.

## Safety performance

In light of the results of the root cause analysis carried out in relation to fatalities in 2011, the following actions were agreed

upon with Top Management:

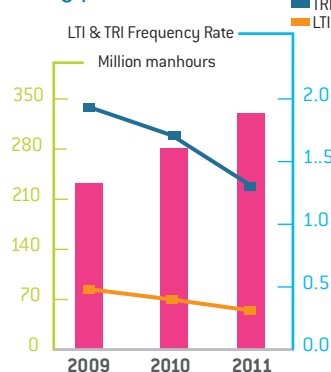
- Safety Forum with major subcontractors;
- Working At Height (WAH) Campaign.

The Safety Forum was targeted at all major subcontractors working on Algerian projects. Many accidents in fact occurred in Algeria and the purpose of the forum was to understand their common causes and to reinforce the commitment of Saipem's subcontractors to HSE issues. The forum lasted 2 days and involved Saipem and subcontractor management and, where possible, CEOs or Area Managers. The event was also an opportunity to share methodologies and best practices.

The WAH Campaign was set up because most accidents are WAH related. Saipem appointed a highly specialist third party to assess the Company's methodologies, procedures and on-site practices in order to identify any potential gaps that might lie at the heart of such accidents.

In addition, Saipem is providing a new training programme that focuses on WAH activities, as well as dedicated tutors to monitor ongoing projects. Different levels of training will be available for supervisors, HSE professionals, WAH rescue teams and workers. At present 2 major projects, one in Algeria and one in UAE, have been selected for application of the new approach.

### Safety performance



Safety performances in 2011 were in line with targets set, with an improvement registered in the total recordable incident frequency rate. Despite this positive trend, 6 fatal accidents occurred in 2011, 4 of which involved subcontractor staff falling from heights.



## KAZAKHSTAN

Ersai is aware that many local vendors and subcontractors need assistance and support in developing their capabilities and products to meet international standards.

In August 2011, Ersai commenced a comprehensive health and safety programme for subcontractors with the aim of helping them improve their systems and their overall HSE performance. Audits are conducted regularly by Ersai

on vendors and subcontractors to assess their QHSE Management System against ISO 9001, OHSAS 18001 and ISO 14001 standards and to provide feedback on the improvement actions that need to be taken. In

2011, QHSE assessment audits were conducted on 8 main subcontractors and vendors. Ersai also launched a series of monthly meetings with subcontractors working on site in order to discuss QHSE issues on a regular

basis and to follow-up on the implementation of the measures required. In addition, HSE training sessions were organized for the personnel of subcontractors (CIS, CMS, Bolashak, RBG Kazakhstan, SGS) working on Ersai premises.



## PERU

Petrex SA has been in Peru since 1983. At the end of 2011 it had operations in all oil and gas regions in the country, counting 32 operative rigs. Due to its long presence, Petrex has become an important player in the regions where it operates, impacting locally through job creation, as well as business and knowledge development.

In 2011 the company ran the Supervisor Training Project, a six-month programme in which 15 new employees were trained to become supervisors or coordinators of drilling activities. The scheme dealt with topics such as drilling operation management,

well control, industrial safety, document handling, quality, occupational health, environmental management and human resources. The rationale behind this project was the belief that motivated and capable staff working as a team are vital for

achieving the company's goals, above all health and safety objectives.

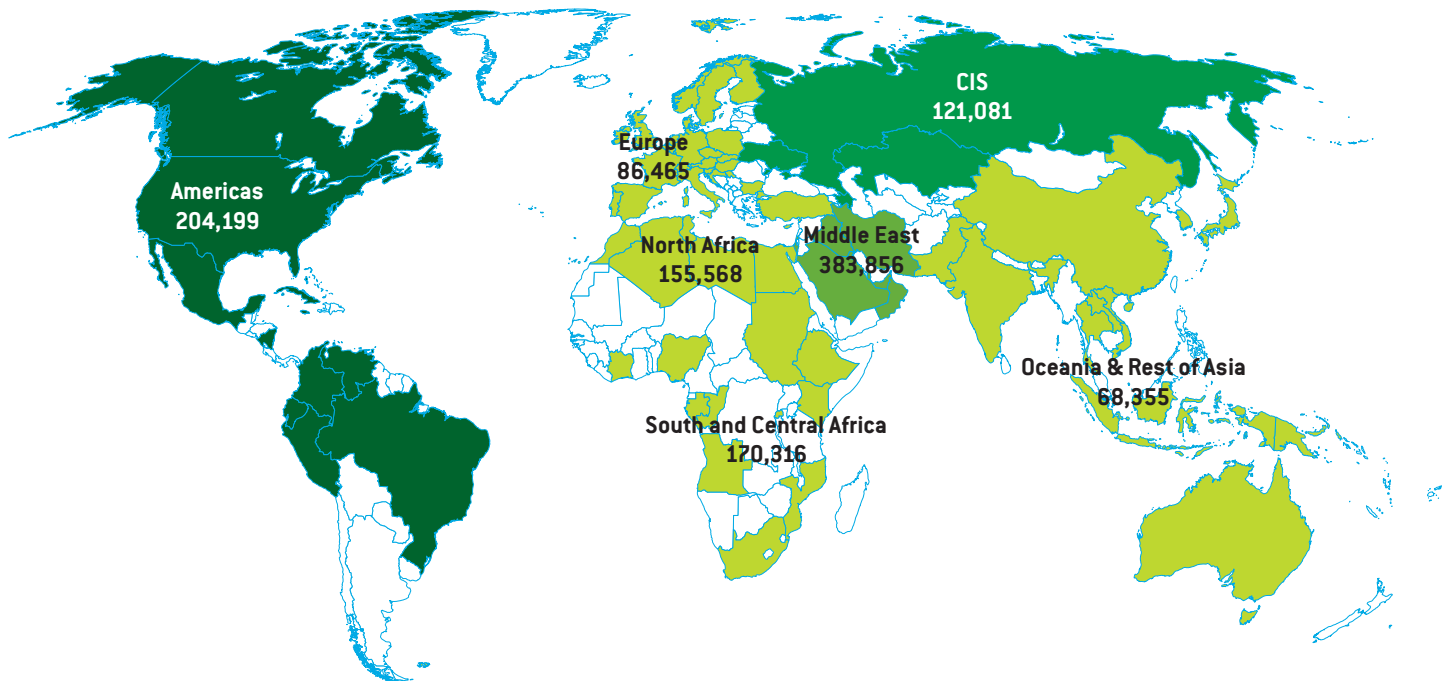
In addition, Petrex cooperated with local Universities to spread HSE awareness. In 2011, a total of 152 students from the Gran Mariscal de Ayacucho University

and 55 students from the Cabimas Technological University Institute took part in workshops organized by Petrex on HSE issues such as environmental management in the oil industry, basic rig components, ISO 9001 and industrial health and safety.

### HSE training hours and Dedication Index

In 2011 Saipem provided a total of 1,187,820 hours of HSE training, mainly in relation to health and safety. The graph shows that for every 1,000 hours worked an average of 3.6 (3.2 in 2010) were in fact spent on HSE training.

Dedication Index (HSE training hours in relation to total hours worked):







## INDIA

During 2011, Saipem India Projects (SIP), the centre of excellence created in Chennai (India) to manage Engineering, Procurement and Construction (EPC) contracts, extensively developed its competencies and overall expertise in onshore and offshore oil & gas projects.

SIP's transformation into a full EPC hub is one of Saipem's major achievements over the last few years. In its journey towards becoming a fully-fledged centre that can be used on all projects and HSE related initiatives in the Saipem World, the company has also been working on the finalization of its HSE management system in line with Saipem principles. SIP has revised its HSE Policy document to focus more on objectives, spelling out Management's commitment, the responsibilities of employees and the specific organization and arrangements required for full implementation of the Policy. By incorporating appropriate HSE aspects into design work from the

home office down to the project sites, from a very early stage SIP aims to assess and manage the risks for people, assets or the environment which may arise from our activities. As regards health issues, all employees are covered under an in-patient medical expense reimbursement scheme or cashless in-patient medical care scheme from MD India Health care Services Ltd. Saipem's Medical Services have developed a special programme, the SPP (Strategic Planning Programme), for follow-up and cost control. In SIP, this programme has been incorporated into GIPSI-software, which manages medical and health services.

SIP has made a breakthrough in organizing programmes on:

- Women's health and preventive care.
- Health awareness on malaria and dengue fever.
- First aid training for the selected employees to assist the safety wardens and the company doctor in the event of an emergency.
- A Typhoid and Hepatitis B vaccination campaign for over 650 people.

Over the years, the continuous process of analysing and studying the risk factors in our various activities has allowed Saipem to introduce and implement prevention procedures and appropriate technologies to

reduce the accident rate. Given that the human factor is one of the main causes of accidents, Saipem has dedicated significant resources to information and training. In this context, SIP has developed a Training Matrix covering job type and position, and training sessions are arranged on a regular basis on issues such as:

- HSE for all new employees and for people being transferred to operating projects.
- The LiHS programme.
- Emergency Response Team drills and training.

Finally, SIP organizes a defensive driving course for the drivers used by the company.

**Saipem has produced a document titled 'HSE Training Protocols' which provides general indications and management criteria for HSE training initiatives.**

Training requirements are identified on the basis of professional role and with due regard for the results of a risk analysis contained in benchmark Company documents (Risk Assessment, Environmental Analysis, etc.). Training of this sort is to be understood as transversal, which is to say that it is primarily 'operational' in nature, hence linked with an employee's activities and the context in which these are carried out. It must, therefore, be distinguished from technical and professional training (provided to boost professional development and increase the level of skills) and from management training

(targeted at developing the managerial skills of personnel). 'HSE Training Protocols' follows the indications given in specific health, safety and environmental legislation, in Company guidelines and in benchmark standards. Not only does the document facilitate compliance with laws and regulations, it also consents maintenance of the highest possible HSE standards for all Saipem personnel. Application of the protocols by individual organizational units ensures greater consistency and linearity in the management of HSE training needs and permits formalization of the training process by means of

convergence with the Training Plans provided for under Italian Legislative Decree No. 81/2008.

'HSE Training Protocols' was first of all published as an e-book on the Company intranet so that it could be consulted and used by everyone. Subsequently, it was uploaded into specific software (used to identify and collect training needs) which was then circulated to all unit managers. Once the needs collection process is complete, the most suitable suppliers and facilities for the training courses are chosen.

## Performing safe, reliable, responsible and efficient operations

### During 2011, Saipem SpA, in association with the Alma Mater Studiorum Università of Bologna, set up a Master's degree course titled 'Health, Safety and Environmental Protection in the Oil & Gas Industry'.

The course was targeted at 12 young engineers from various specialist backgrounds, such as environmental, mechanical and energy engineering, and who are resident in a member country of the EU. Course syllabus and organization were jointly defined by Saipem and the University so as to ensure teaching objectives would be met. The initiative will facilitate the placement of young graduates in a very precise and specific workplace: the Oil & Gas industry. Indeed, the degree course aims to forge quality professionals with a global vision of complex HSE

issues and who, with suitable on-the-job experience, can, in the future, successfully manage HSE related problems on both Italian and foreign projects. With the support of ECU (Eni Corporate University), between June and July 2011 the course was advertised in numerous universities and via the web site. Subsequently, an official open day was organized in Bologna in which more than 100 students took part. On that occasion, a written test was held from which 38 candidates were shortlisted. Following assessment by ECU and a technical interview with

Saipem personnel, 12 students were selected to take part in the Master's programme. The course, which will last 8 months, commenced in August with an initial phase of lectures at the faculty of Engineering at the University of Bologna. Over a period of 15 weeks it covered subjects linked to Saipem's core business and provided in-depth technical analysis of HSE themes. Specifically, the University dealt with the theoretical aspects of the subjects and constantly monitored student progress by means of exams and tests. For its part, Saipem mobilised several

of its own employees whose lessons focused on the practical dimension, including operations and application. They used lots of audio and video material and got the students involved through exercises and case studies. The second part of the course will commence in January 2012. This will involve placement in the San Donato Milanese, San Giuliano Milanese, Fano and Porto Marghera offices to begin on-the-job training. Over a 14 week period students will prepare a dissertation based on one of the subjects studied in the classroom. This will then be submitted for marking to a special technical commission in the University during May 2012.

### Taking its cue from Saipem HSE standards and requirements and from mandatory safety regulations provided for under Italian law, the Company promoted a training initiative on the risks personnel can be exposed to during the performance of their duties.

The course, titled 'Supervision, Inspection, Site Visits and HSE Training', was designed for personnel involved in activities such as inspections, audits, surveys and site visits or for those who manage people working onsite (e.g. Post Order Inspectors, Field engineers, QA/QC and HSE Personnel, Project and Site Management, etc.). Divided into theoretical and practical sessions, the course dealt with several topics including

the origin and nature of hazards, impacts on the health and safety of people and methods for preventing danger and protecting personnel exposed to risk. The theoretical session focused on highlighting risks from welding and grinding, suspended loads, working at heights, confined spaces, NDT, and so forth. Exposure to industrial hazards such as asbestos, chemicals and noise were also analysed. The sessions were organized in Italy,

Kazakhstan and Singapore and there were 189 participants (88 in Italy, 34 in Kazakhstan and 67 in Singapore), for a total of 2,560 training hours.

Training sessions started and ended with a test, and those participants who obtained scores below 70% at the final exam had to repeat the course.

Participants were from a wide range of projects and included Italians, British, Indians, Filipinos, South Africans, Kazakhs and Romanians.

The course held in Italy for personnel based in the San Giuliano Milanese offices started in July and ended in December. Organized in association with an external trainer (TECO) for the theoretical part and a specialized training centre (APT) for the practical side, it consisted of 5 sessions, each lasting 2 days.

In Kazakhstan, the first training session was held in a local certified training centre, YKK (Yeskertkish Kyzmet Kazakhtsan Llp), while the other 2 were held in the Kuryk Yard, both for a total of 3 days.

Finally, training sessions in Singapore were carried out in the Singapore offices and in the Keppel Yard. Saipem was directly responsible for both the theoretical and practical dimensions to this course which addressed issues such as working at heights and in confined spaces, both very common during vessel construction. The working environment of the Keppel Fabrication Yard facilitated simulation of the conditions and hazards associated with these two activities. The course had a total duration of 3 days.

### In 2011 Saipem launched an intensive HSE training programme to improve the knowledge and skills of all local HSE officers and engineers currently working for the Company on the Kashagan Project.

Full programme duration was 37 days and the course was delivered in English (19 days) and Russian (18 days). The total number of participants was 35 and total training hours amounted to 5,184. Participants

attended the course during their off period. Saipem provided the training material for both sessions and all courses were carried out in YKK (Yeskertkish Kyzmet Kazakhtsan LLP), a local certified training centre in Atyrau.

Trainers came from YKK, Saipem and the Institute of Port Maritime Culture in Trieste. YKK oversaw the Russian version of the course. Training sessions started and ended with a test, and those participants who obtained scores below 70% at the final exam had to repeat the course. This training initiative dovetails perfectly into a sustainability approach aimed at promoting the growth and development of human

resources and at spreading the strong health and safety culture that Saipem pursues throughout the world. The courses thus fully reflect Saipem's global strategy and proactive approach towards sustainable development and help forge competent and skilled HSE professionals who will play a fundamental role in the diffusion of a health and safety culture on the projects where they operate.

### A five-week HSE course was held in 2011 at the Sharjah base in the UAE. Beginning January 29, it aimed to train and select staff as well as convey specific know-how and skills. Overall investment amounted to €70,000 for a total of 6,240 training hours.

The 26 participants were chosen via a screening process involving more than 100 candidates from an engineering background but with work experience in and/or basic knowledge of HSE issues. They came from as far-away places as Romania, Syria, Bolivia, Singapore, Ukraine, India and South Africa, thus forming one of those remarkably multi-cultural ambiances typical of Saipem. Twenty-four of them had either never worked before or were from external companies, while two were Saipem in-house personnel. There were 29 trainers of whom 16 internal and 13 external. The in-house trainers were Saipem employees with skills in training

and knowledge of course-related topics. They gave participants exhaustive knowledge of the HSE principles they have mastered during their experience in Saipem Worldwide.

External trainers, on the other hand, were from internationally recognized organizations such as the Istituto Cultura Marittimo Portuale in Trieste, the Apt Group (International Safety Training Center) and Sperian Respiratory Protection (an international supplier of health and safety services and products). The course consisted of over 40 modules covering the main themes of health, safety and environment from both

a theoretical and practical perspective. Indeed, many sessions required simulators created on-the-spot and used for modules on scaffolding, confined spaces, gas detectors and safety harnesses. Rigging, hoisting and oil spill drills were also organized. Some modules even included the issuing of official certificates recognized by third parties and applicable in any workplace context. These testify to the skills acquired, such as the basic lifesaving techniques taught on the Heartsaver First Aid course of the American Heart Association. During the course a number of special health and safety officers such as 'Fire Fighting

Team Member' and 'First Aid and Asbestos Team Member' were created and certified.

As regards tests, these were designed and targeted at knowledge of ICT and English as well as the drafting of technical documents specific to health and safety (i.e. Safety Reports, Near Miss Reports, etc.). Alongside this, the public speaking skills of participants were assessed, since effectiveness and clarity in addressing others are vital for anyone involved in health and safety systems. Finally, the assessment process facilitated the selection of 20 resources, 17 of whom joined the Company.



## VENEZUELA

Petrex has been present in Venezuela since 2001 and by the end of 2011 had 28 operative rigs. In Venezuela, community relations are more dynamic and local communities are one of the main stakeholders at which most sustainability activities are targeted.

In 2011, Petrex held 'Introduction to Drilling' Workshops, the purpose of which was to allow inhabitants of the neighbouring communities to work efficiently and safely when carrying out temporary jobs at drilling sites. Each workshop

provided an interactive and dynamic training session that included presentations and group work. They facilitated attendees in their comprehension of work on Petrex rigs and of the preventive measures needed to ensure a

safe, healthy and environmentally friendly workplace. Workshops lasted 8 hours and covered basic drilling topics, showing the components of the rig and the correct use of tools. Along with these technical issues, preventive

topics were also dealt with, such as preventive health, industrial safety, quality and environmental care. Additionally, participants were instructed on labour issues and learned about the Company's Sustainability Talent Programme.



# Leadership in Health & Safety

Now in its 5<sup>th</sup> year of implementation

*‘Taking care of ourselves  
and taking care  
of our colleagues  
is what comes first.  
We have to build this  
culture, everywhere.  
Nothing is more important.’*

*Pietro Franco Tali  
CEO Saipem*

## The History of LiHS

Saipem's health and safety history is being rewritten. The daily drive for operational excellence continues, and today this is increasingly undertaken with the clear fundamental values of life, safety and wellbeing in mind. The key component of this shift in mind-set was the initiation of the Leadership in Health and Safety Programme, launched in 2007 by Saipem's CEO, Pietro Tali. This multi-phase programme for cultural change begins with a highly interactive and emotional workshop experience, where managers and supervisors are challenged to think differently about health and safety using practical tools to develop personally as effective Health and Safety Leaders. An integral part of workshops is the internationally awarded film 'The Safer The Better', which dramatizes the chain of events leading to a fatal accident at work.

LiHS has been infused into the working and personal lives of thousands of people at local operating levels around the Saipem world, covering the entire spectrum of hierarchical levels, working environments and cultures. A critical, locally-focused step toward building the foundations of a solid culture of health and safety is, on the one hand, to make

interventions against unsafe acts instinctive and, on the other, to recognize and reward positive health and safety behaviour. The safety intervention tool called FiveStars is a simple methodology which enables employees across all levels to intervene with confidence in a non-confrontational way.

LiHS has become a core value of Saipem and its affect toward nurturing cultural change is increasingly evident. The decisions of managers, supervisors and workers are made with the LiHS 'philosophy of care' to the forefront of their minds, and their visible leadership actions likewise reflect the influence of LiHS. Furthermore, subcontractors and clients are increasingly requesting involvement in the Saipem LiHS process and are themselves becoming contributors and partners working towards an aligned health and safety vision. Success stories and testimonies of visible change are multiplying and becoming more and more widespread. Along with the positive leap in statistics, this is clear evidence, from the front lines, that LiHS is a strong contributor to the evolution of Saipem's health and safety culture.

## Leading Behaviours Campaign 2011

The process continued with the launch of a campaign called *Leading Behaviours*. Following one year's research and development, this innovative initiative, designed to complement the existing efforts of LiHS, was launched in early 2011 and continued through to the end of the year. With the full endorsement of the CEO, *Leading Behaviours* injected five simple and transferable non-negotiable behaviours into the organization.

The campaign featured a multi-channelled cascade approach which allowed for local adaptation. The behaviours were cascaded by regional management and supervisors to their entire workforce during numerous events which were organized at six week intervals, thus providing both a slow release and a long-term focus to the campaign. This strategy builds upon the foundations of an already developing culture, making an innovative shift from the traditional communication approach to one that includes tangible behavioural elements.

The greatest innovation of this new phase was the addition of an 'underground' methodology, multiplying behaviours 'virally' through social copying

LiHS Performance data	2009	2010	2011	Total
Workshops held	136	121	115	372
Number of participants in workshops	1,833	1,615	1,602	5,050
Number of 'cascading events'	189	138	85	412
Number of participants in 'cascading events'	7,872	5,198	3,994	17,064
'Five Stars train the trainer'	61	30	14	105
Number of 'Five Stars training' sessions	94	205	191	490
Number of participants in 'Five Stars training' sessions	1,159	1,963	1,998	5,120
Number of 'Leading Behaviour Cascading events'			663	663
Number of participants in 'Leading Behaviour cascading events'			21,615	21,615

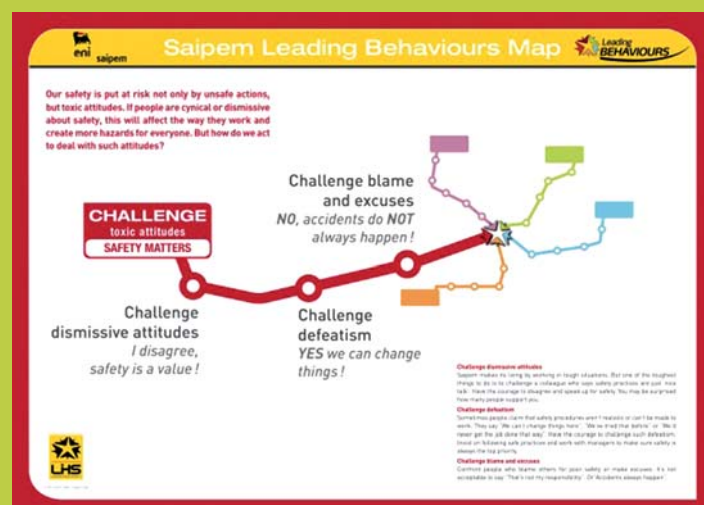
NB: LiHS data are updated on a periodical basis which does not always coincide with the financial year. Changes can occur from one year to the next.

mechanisms with a specific focus at worker level. This will continue on into 2012.

### A focus on Nigeria

Saipem Contracting (Nigeria) Ltd (SCNL), based in Rumuolumeni Village, Port Harcourt, was quick to embrace the Leading Behaviours campaign. This

*Saipem's 5 Leading Behaviours*



comes as no surprise, since SCNL was one of the first companies to complete the full cycle of LiHS phases over the previous four years. The site and its satellite projects employ 3,653 personnel, comprising 3,139 local workers with a strong focus on recruitment from nearby villages. Since January 2008, SCNL has seen 539 managers and

supervisors undertake the LiHS workshop in Port Harcourt, coordinated and delivered by an expert local facilitator with many years of experience as a Saipem employee. Engaging and involving the workforce was a critical part of the success of LiHS in SCNL, and through cascading events and dedicated training 3,700 workers have been actively involved with the LiHS philosophy. With its workforce already having a thirst for knowledge developed during its previous LiHS achievements, SCNL was the perfect platform from which to kick-off the Leading Behaviours campaign. Managers and team leaders began by planning events in which they could present the Leading Behaviours to their teams. These ranged from small informal groups to large-scale motivating happenings involving more than 321 people. The Leading Behaviours have been extremely well received by the workforce and many stories are told detailing how they have been put into action. A solid health and safety culture can in fact only be built if everyone works together to achieve it, and in SCNL this is a reality.

*An underground type city transport map elucidating one of Saipem's Leading Behaviours*



Following the success of the LiHS Program and the growing interest on the part of the Oil & Gas industry in the methods and principles reflected in the LiHS philosophy, in 2011 Saipem set up the LHS Foundation to make the know-how, experience, passion and skills developed in-house over the last few years available to other organizations too.

The LHS Foundation, which finds its roots in the universal values of the centrality of human life and the safeguarding of the wellbeing of people, operates in five distinct areas: Research, Education, Consulting, Communications and Partnerships.

In its first year of activity, the Foundation was active both in research and in society at large. Specifically, an important communications campaign was launched on the occasion of the 150<sup>th</sup> anniversary of Italian Unification by means of a TV advert which linked the concept of unity with that of workplace health and safety.

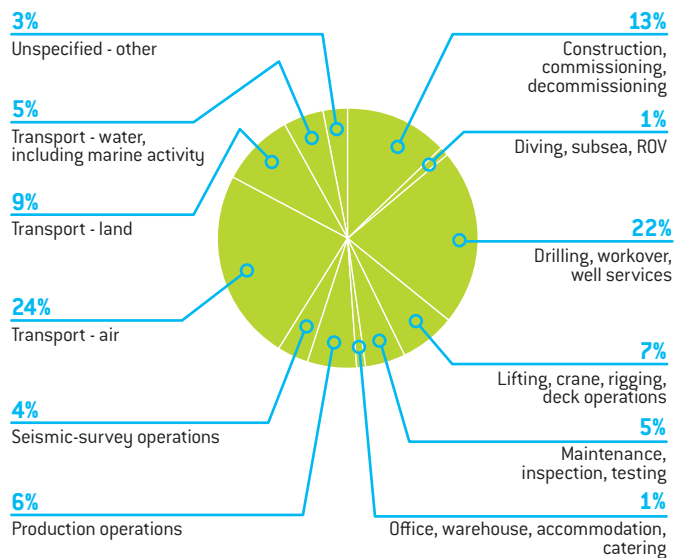
**Saipem has promoted and implemented a series of actions to control the risk associated with personnel transport management and to improve road safety on Kashagan Projects.**

In 2010 an In-Vehicle Monitoring System (IVMS) was installed on all Saipem vehicles to monitor violations of road safety rules via web reports. An HR disciplinary scheme was set up based on IVMS records and Saipem introduced new requirements for driver contracts which include, for example, driver selection and number of working hours per shift. Saipem also implemented new requisites for car rental contracts in terms of vehicle maintenance criteria. Further initiatives to increase road safety include organization of 'Defensive Driving' and 'First Aid' courses for all drivers. Finally, Saipem updated the Journey Management Plan and insists on its enforcement for

subcontractor vehicles also. A dedicated Transport Safety Officer has the task of analysing vehicle data from the web, checking that Journey Management Plans have been implemented, organizing a driving safety campaign and structuring an incentive scheme for the best driver of the month, who will be chosen on the basis of scores recorded via IVMS. Following installation of the IVMS, a meeting was held with all drivers to demonstrate the characteristics of the system, the data recorded and the disciplinary scheme that was to be implemented. The cost of purchase and installation of IVMS for the 23 vehicles was €27,600 and web access to data is €1,400 per

month. The 'Defensive Driving' training course conducted by a third party trainer in Kazakhstan and the 'First Aid' course provided by Saipem doctors involved 34 drivers for a total number of 544 training hours. For vehicles monitored via IVMS, the road traffic accident rate decreased from 3.7 per million kilometres driven in 2010 to zero in 2011. The introduction of the IVMS, together with the positive effects of the other measures implemented (such as the training and awareness campaigns), has proved to be effective not only against the frequency of car accidents, but also as regards the seriousness of the road safety violations recorded.

Incidence of fatal road traffic accidents International Association of Oil & Gas Producers (OGP) 2010



The chart shows how 9% of fatalities in 2010 involving member companies of the OGP were classified as road traffic accidents.

Source: OGP- Safety Performance indicators – 2010 data

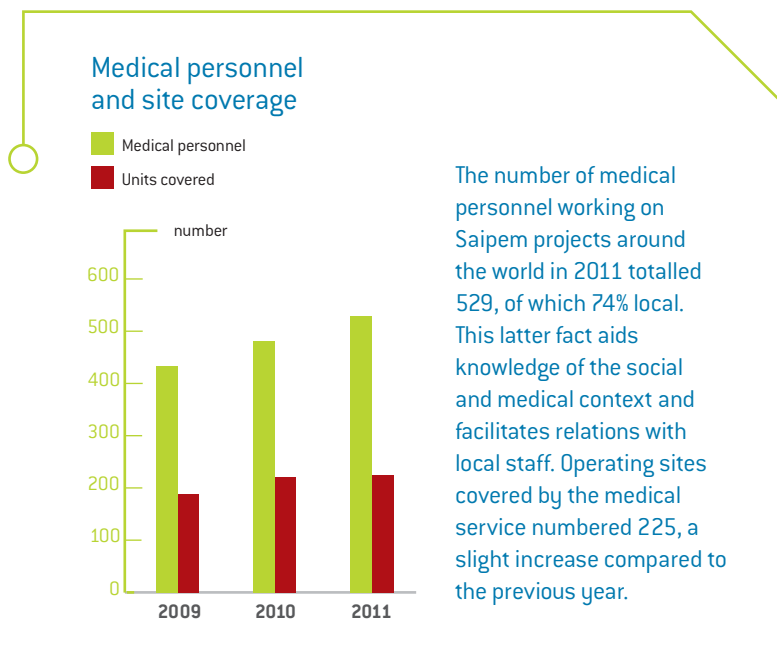
**'Sécurité Routière' is a road safety programme implemented by a group of private companies operating in Pointe Noire. This collective activity is targeted at improving driver safety through an intensive awareness campaign.**

The first part of the programme was conducted in 2 schools in the Djeno community, near Pointe Noire, to show students how to recognize road signs and prevent accidents. The second part consisted of an exhibition in Pointe Noire at which the various companies presented different themes concerning road safety. The event, which was open to the public and attended by members of local government, included the signing by all companies of a Collective Charter that testifies to their commitment

to achieving safe driving behaviour in Pointe Noire. Boscongo contributed with a variety of proposals such as the 'ABC Model for Speeding' (to analyse the behaviour of fast drivers) and the writing of a song titled 'Defensive Driving' (to increase awareness among children). The programme underscores the importance of cooperative relations between companies with the shared purpose of improving community safety.

## Commitment to Health Promotion

Throughout the years, Saipem has implemented a comprehensive Health Management System focused on disease prevention and health promotion. It aims to achieve a healthy workforce operating in a safe and healthy working environment and to develop and spread a strong health culture within the Company and among its employees.



**BE.ST (Better Life Style) is a health initiative, started in 2009, that comprises three phases: Better Food, Better Working Environment and Better Community.**

*Better Food* is a nutritional programme which proposes a healthier selection of food on operating sites. *Better Working Environment* aims to nurture the behavioural patterns needed to keep on-site work and rest areas clean. Finally, *Better Community* seeks to get employees to socialise more with each other. Focusing on Better Food,

participation in this initiative is strongly recommended, especially for employees at risk of cardiovascular disease and/or those who are overweight. The BE.ST Food Programme is implemented continuously on Saipem 7000 and at the Algeria Hassi Messaoud oil and gas complex. More and more people are following the programme on a regular basis and are committing themselves to it. They seek medical advice and receive periodical check-ups from the site doctor. Future launches of the programme are scheduled for different vessels and sites such as Saipem 3000, Saipem 12000, Saipem 355, Castoro 2, Peru, Nigeria New Operational Base, Paris, and so forth.

### Cardiovascular diseases are the leading cause of death and disability worldwide and are likewise the main reason for health related repatriation in Saipem.

This is why, since 2009, the Company has constantly pursued its Cardiovascular Disease Prevention Programme (CVDPP) on Saipem worksites. The objectives of this initiative are to minimize the risk of cardiovascular related events and the number of repatriations arising therefrom, to promote a health culture among the workforce and, finally, to

make employees aware of the Cardiovascular Disease Risk Factor and its consequences. In 2011, CVDPP was implemented on 86 operating sites.

The programme includes:

- information campaigns (group presentations, leaflets, posters, etc.);
- a dedicated intranet page for information materials and

- follow-up of implementation;
- individual risk assessment (7,360 employees have been assessed, i.e. 97% of employees on the sites involved);
- employee enrolment in the Risk Factor Follow-up Programme (RFFP), based on individual risk;
- employee follow-up in RFFP, according to individual risk (out of the people assessed

to be at risk, 75% have been enrolled).

We should also mention the initiatives promoted in Peru (where Petrex organized Cardiovascular Risk Prevention Workshops and Conferences) and in Kazakhstan (where, for the fourth year running, Ersai implemented a Cardiovascular Disease Prevention Programme involving 300 people in 2011 alone).

In the future, all sites with medical personnel are expected to implement CVDPP.

## A 'No-Smoking' culture has been enhanced and a message of 'Stop-Smoking' has been continuously reiterated throughout Saipem.

Hatched as a separate programme in 2009, the Stop-Smoking Campaign has since been integrated into the Cardiovascular Disease Prevention Programme (CVDPP). The no-smoking initiative includes a) information campaigns, b) smoking habit assessment

and c) monitoring. As regards information campaigns, these consist of educational workshops on the unhealthy effects of smoking, counselling for those who want to stop-smoking, anti-smoking posters (Saipem has produced its own and has had them translated

into a number of languages), leaflets, questionnaires distributed to operating sites for display in strategic places, and a dedicated intranet page for information materials and follow-up of implementation. Secondly, the workforce's smoking habit is assessed and those who decide to join the Stop-Smoking Programme are duly enrolled. Participation in this programme is strongly recommended, especially for people at risk of cardiovascular disease or for those with a strong addiction to

smoking. Until now, more than 545 employees have enrolled and received the medical advice of Company doctors. Finally, the efficiency of the Stop-Smoking Programme is monitored. In 2011, after 365 days with no (zero) cigarettes, 19 employees enrolled on the programme became non-smokers. At present the Stop-Smoking Campaign is operative on 55 sites, and in the future all sites with medical personnel are expected to implement it.

## The Telecardiology Programme (TCP) is a Saipem initiative targeted at providing remote sites with practical support in cardiology and to extend the Company's preventive approach towards cardiovascular diseases.

Implementation of the TCP pilot started in early 2007. During the 5 year effective running time of the programme, greater understanding of the initiative combined with application of the CVDPP (CardioVascular Disease Prevention Programme) has increased participation and use of the service. The package includes the rental of the machine, 20 online (emergency) referrals and 90 offline (monitoring, first or second opinion) referrals per machine. The programme aims to support monitoring of known cases of chronic CV illnesses and to prevent acute ones from developing. Developed within the CVDPP, the TCP likewise attempts to reduce the number of fatalities and repatriations due to cardiovascular related illnesses and arrhythmias. Alongside monitoring of emergency situations, doctors are starting to use this service more and more

for reassurance purposes and for routine examination of patients who seek medical advice for various reasons not necessarily related to heart disorders. TCP could also be used in the future as a tool for sustainable development projects linked to health issues, especially in terms of the opportunities it could provide, if brought to fruition, for communities and inhabitants of remote areas to consult world-class specialists. In 2011 TCP was extended to 11 more sites and vessels thus bringing to 27 the total number of recorders used. The same number of sites/vessels have used the devices for implementation of their CVDPP. Out of 1,319 ECGs sent during 2011 to the Tele-Bios cardiology centre for interpretation, 69 referrals (5.23%) were sent online. 39 of these (56.5%), however, were of normal

appearance while the symptoms had suggested an acute cardiac problem. Thus the TCP helped the site doctor with his/her evaluation of the patient and oriented diagnostic procedures towards a different group of diseases (musculoskeletal, gastrointestinal, respiratory, etc.).

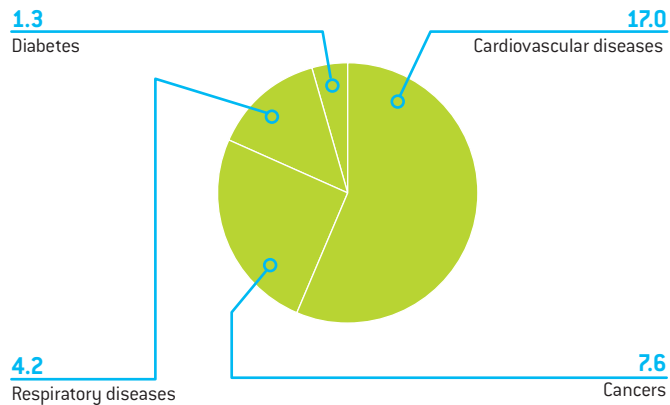
Seven cases (10% of online referrals) out of the 69 emergencies marked ECG-s were considered MEDEVAC worthy, thus proving beyond all doubt the importance of TCP as a filter in the management of patients with symptoms similar to heart ailments.

Health and safety emergency drill in Peru  
Photo by Alberto Trujillo Safra





### Leading causes of NCD deaths in the World (million deaths)



The leading causes of NonCommunicableDisease deaths in 2008 were: cardiovascular diseases (17 million deaths, or 48% of NCD deaths); cancers (7.6 million, or 21% of NCD deaths); and respiratory diseases, including asthma and Chronic Obstructive Pulmonary Disease (COPD) (4.2 million, or 14% of NCD deaths). Diabetes caused an additional 1.3 million deaths (or 5.6% of NCD deaths).

Source: WHO - Global status report on noncommunicable diseases 2010

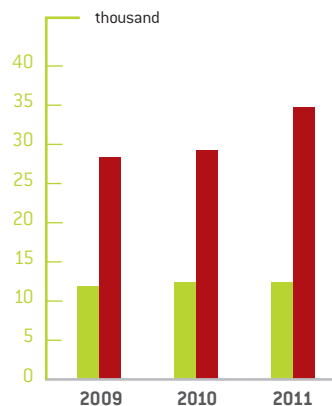
**Diabetes is a chronic disease that is on the increase among populations and workers in the oil and gas industry. Proper surveillance and management of this disease means a reduction of morbidity, less absenteeism and increased productivity for the Company. Two approaches express well how Saipem tackles and faces this health related issue: active prevention on operating sites and contributions to research.**

Telemedicine is the use of telecommunication and information technologies in order to provide clinical health care at a distance. Teliabetology, an innovative approach to the control of hyperglycaemia, allows the Company to assess, monitor and evaluate employee blood sugar levels effectively and to provide proper control over these to employees at high risk. The system provides periodic sampling of the blood sugar of offshore vessel workers and then forwards the results electronically to the Diabetes Centre for monitoring, evaluation and treatment recommendations. The teliabetology programme was initially implemented on board Saipem 3000 in 2010 with the primary goal of identifying employees at risk of developing diabetes. It involves two-way communication between the vessel's medical service and the Diabetes Centre in Italy. The programme commenced with a voluntary pre-screening survey of employees using the Diabetes

Risk Score Questionnaire (DRSQ). This groups employees into three categories according to the Normal, Low or Medium-High Risk of developing Type 2 Diabetes Mellitus (T2DM) within the next 10 years. A total of 99.1% of crew members voluntarily participated in the DRSQ survey. During the process, stepped monitoring was carried out on the basis of the current risk of particular employees. Counselling sessions were offered to those deemed to be at risk and the need to adopt a dietary regimen and a healthier lifestyle were underlined. Advice received from the Diabetologist was taken up and relayed to the employees concerned. Teliabetology in offshore operating vessels has been found to be an efficient system for blood sugar control among diabetic employees and can become an effective part of Saipem's disease prevention and health promotion programme.

### Vaccinations and fitness-for-duty examinations

■ Vaccinations  
■ Fitness-for-duty examinations



Vaccination campaigns and fitness-for-duty examinations are carried out continuously within the disease prevention and health promotion programme. In 2011, 12,387 vaccines were administered to employees and subcontractors, while 34,737 fitness-for-duty check-ups were performed.

# Focus on Malaria prevention

## Overview

Africa is the region most effected by malaria. It accounts for the majority of cases worldwide and for almost all deaths from the disease. Malaria has significant costs for society. Annual economic growth in countries with a high malaria transmission rate has always been lower than in countries where the illness is not present.

Economists believe that malaria is responsible for a 'growth penalty' of up to 1.3% per year in some African countries. When compounded over the years, this 'penalty' leads to substantial differences in GDP between countries with and without malaria, and severely restrains the economic growth of the entire region.

The costs of malaria include loss of productivity or income associated with illness or death. It is an obstacle to schooling for children and to social development in general. It also has a negative influence on social and economic decision-making processes.

Indeed, the risk of contracting malaria in endemic areas can deter investment, both internal and external, and impact individual and household choices.

## Employee Malaria Prevention Program

Saipem's approach to fighting malaria is based on the ABCD principle: namely, A (Awareness), B (Bite Prevention), C (Chemoprophylaxis) and D (Diagnosis).

The primary goal of the Malaria Control Programme is to make employees aware of the risk of the disease and to teach them how to protect themselves against infection. In 2011, 99.98% (5,364) of non-immune Saipem and subcontractor employees working in malaria endemic countries attended the Malaria Awareness Lecture.

The Malaria Case Rate shows a noticeable decrease from 1.57 in 2003, when for the first time the program was implemented, to 0.24 in 2011. This is mainly due to a considerable increase in malaria prevention activities and to the joint efforts of management, the health team and, more importantly, employees.

Additional protective measures such as permethrin-impregnated clothing are recommended to all staff working in environments with high and constant exposure to malaria infection. The purchase and distribution of long-sleeved permethrin-impregnated T-shirts was also successfully launched.

The Malaria Case Rate shows a noticeable decrease from 1.57 in 2003 to 0.24 in 2011. This reduction is mainly due to a considerable increase in malaria prevention activities and the joint effort of the management, the health team and, more importantly, the employees.

Malaria Case Rate\*



(\*) The malaria case rate is defined as the incidence of stewardable malaria cases per 200,000 total exposure hours in high-risk malaria areas.

In 2011 the programme was implemented on 46 sites and the number of attendees was identified on the basis of the total number of employees located in areas at risk from malaria.

#### **Angola**

As part of Saipem's commitment to sustainable development within its host communities, in February 2011 Petromar Lda, in association with local government authorities, launched an initiative to support malaria prevention in Ambriz, a remote town with 13,000 inhabitants. Given the problem of endemic malaria and the availability of only basic local healthcare facilities, the best way to combat the disease is to protect the population from contracting it in the first place.

Petromar staff have identified pregnant females and children under 5 years of age as the most vulnerable community members. A total of 2,800 insecticide treated bed nets were distributed over 2 days to approximately 1,300 families, along with guidance and instructions for their optimal use.

A tetanus vaccination campaign for pregnant females was conducted parallel to this on the second day.

Statistics were provided to the Ministry of Health representative to support strategic planning and implementation of the malaria control programme at both local and national levels.

**For the second phase of the project, Petromar, again in liaison with local government authorities, has planned to distribute mosquito nets in Belavista and Tabi.**

Located approximately 50-80 km from Ambriz, but falling within its municipal jurisdiction, these two peripheral communities have populations of about 3,000 and 5,600, respectively.

#### **Congo**

Within the framework of initiatives for rural communities, on April 30, 2011 Saipem companies operating in the Congo held a malaria awareness day in Loango. This included distribution of insecticide treated nets to pregnant women and children from 0 to 5 years.

The event was arranged in partnership with the Health Department of Kouilou.

For its part, Saipem provided logistic support, organization and distribution of the insecticide-treated nets; the

Health Department, on the other hand, was in charge of technical orientation of malaria prevention and use of the nets as per the 'National Plan for Malaria Awareness'.

Explanations were given in both French and Vili (the local language) by the coordinator of the Plan for Malaria Awareness at the Health Department. This activity is only the beginning of the programme, as a monitoring plan for the proper use of mosquito nets has also been devised by Saipem in coordination with the local authorities in Loango.

#### **Nigeria**

Massive malaria campaigns were launched in June 2011 by Saipem Contracting (Nigeria) Ltd (SCNL) on all project sites and at the Operational Base in Port Harcourt. Specific malaria awareness presentations were made to employees and mosquito repellents for personal use were distributed and made available in public recreational areas. Furthermore, within the Roll Back Malaria strategy (a global framework for coordinated action against malaria), SCNL is working on a new malaria prevention programme in accordance with World Health Organization (WHO) and UNICEF recommendations. This consists of an information

workshop to increase awareness among communities followed by the distribution of permethrin impregnated mosquito nets.

## Managing environmental impact

**In order to calculate the impact on the environment, and to make improvements in air emissions, the amount of pollutants in the air needs to be measured. To this end, in 2006 Saipem developed an Emission Estimation Methodology that describes how the Saipem Group evaluates atmospheric emissions produced by its activities.**

Saipem's methodology is aligned with the most important International Standards for the calculation of air emissions, namely, the EMEP/EEA (European Monitoring and Evaluation Programme and European Environment Agency) Air Pollutant Emission Inventory Guidebook (2009), and the IPCC (Intergovernmental Panel on Climate Change) Guidelines for National Greenhouse Gas Inventories (2006), issued by the United Nations Environmental Programme.

The Saipem Emissions Estimation Methodology Manual provides

a complete, consistent and transparent method to estimate the quantity of specific pollutants emitted into the air. The methodological approach used is obtained by combining information regarding the extent to which a human activity takes place ('Activity Data') with the coefficients that quantify the emissions per unit of activity ('Emission Factors' - EF). In Saipem's activities, fuel consumption and purchased electricity generally constitute the Activity Data whereas, generally speaking, Emission Factors are dependent on the

characteristics of the fuel used and on the emission source in which the fuel is consumed. Emission Factors for each source and fuel are provided in the Corporate Criteria (excluded purchased electricity). The correct selection of the EF for the appropriate emission source and fuel is critical for the achievement of accurate and reliable results. Obviously, the reliability of the emission data depends on the consistency and accuracy of the energy consumption data reported to Corporate on a quarterly basis by sites and projects. In 2011

the manual was revised and received certification from Bureau Veritas, a third party company that provides conformity assessment and certification services. Saipem thus attained an improvement in the accuracy and reliability of the emission estimations communicated to its stakeholders. During its activities, Saipem consumes more than 400 ktOE (kilotonnes of oil equivalent) of energy, which contributes to the emission of about 1 million tonnes of equivalent CO<sub>2</sub> into the atmosphere. Saipem is concerned about this and is committed to the reduction of its carbon footprint by increasing personnel awareness and using the best available techniques during its activities. This certification can be considered a launching pad from which Saipem Operating Companies can implement an Energy Management System in the near future.

**An important target for 2011 was to enhance the level of environmental awareness through the development and implementation of proactive environmental initiatives.**

To this end, Saipem continued to promote the Environmental Awareness Campaign launched in 2010. Based on posters, power point presentations and

guidelines for implementation (made available in Italian, English, Azeri, French, Kazakh, Portuguese, Russian, Spanish, Tamil, Bahasa and Arabic),

the campaign, launched in conjunction with World Environmental Day (WED) on June 5, addressed some of the potential environmental impacts associated with Saipem's operations. It targeted all Saipem personnel to promote and influence environmentally responsible behaviour and, once launched, was monitored by Saipem to gauge effectiveness. The topic of the 2011 campaign was 'Water saving and reuse',

which included waste-water, where applicable. The core message linked with this theme was that, with very small cost-free efforts in changing our lifestyles, each one of us can make a difference. The most significant initiatives were promoted worldwide in a variety of ways with the aim of achieving a comprehensive improvement in Saipem's environmental performance.

## In 2011 Saipem sa, the Engineering & Construction Business Unit (E&C BU) and Integrated Projects (PRIN) obtained ISO 14001 and OHSAS 18001 certification.

On March 11, 2011, Bureau Veritas concluded a complementary ISO 14001 - OHSAS 18001 combined certification audit of Saipem sa based on activities in the Paris head office and onshore at the Ammonia Oman Fertilizer Project in Arzew, Algeria.

Det Norske Veritas is the same body that certified the former Onshore BU in 2009 and again in 2010. In December 2011, however, the challenge was even more significant, since it involved not only renewal but also broadening of the scope of the certification to

include the new E&C BU and PRIN. Saipem is aware of the value of this acknowledgement. First, it is an internationally recognized achievement that proves to stakeholders that Saipem has a solid, high-level HSE management system. Secondly,

it can provide a competitive edge over other contractors in the Oil & Gas industry. And finally, it convinces the Authorities in the countries where we operate of the level of care and commitment Saipem pursues in its operations.

## Europe needs new sources of natural gas to maintain economic growth while meeting climate protection targets. The Nord Stream Pipeline is a timely and environmentally sound means of bringing large volumes of natural gas to Europe.

Nord Stream is a gas pipeline linking Russia and the European Union via the Baltic Sea. It will carry natural gas to supply both businesses and households and will be an important factor in securing Europe's energy future. At full throughput, the pipeline will carry 55 billion cubic metres of natural gas every year, enough to meet the demands of 26 million European households. The receiving station in Lubmin will send the natural gas into the European gas pipeline system,

through which it will reach consumers in countries such as Germany, Denmark, France and Great Britain. Worldwide, Nord Stream is a unique offshore pipeline in terms of dimensions, length, environment, number of permit holding countries involved and pipeline spread vessels deployed. Most of the initial operations were started in spring 2010, including pipelaying with Saipem Castoro 6 in the Swedish Exclusive Economic Zone, followed by Saipem

Castoro 10 in Germany and by the subcontractor Allseas with Solitaire in Russia. The fear of environmental damage was huge and for this reason nature conservation and environmental protection were already being discussed in the planning phase. The environment remained under observation throughout the project, especially the Baltic Sea ecosystem which is considered to be highly sensitive to the environmental impacts of human activities due to its high density of endemic species and to the fact that the Baltic is a semi-enclosed sea with only a limited exchange of water. Since many companies were involved in construction of the North Stream Project, it was not easy to manage all environmental operations. With its increasing focus on environmental issues, Saipem tried at all times to avoid any risk that might lead to a disaster. The Company was involved in the removal of the tonnes of munitions that remained on the seabed (mostly from World War II) to ensure that the pipeline was safe and that the effect on the Baltic Sea environment and

on marine life would be minimal. In its endeavours, the Company drew upon the experience of the navies of Baltic Sea countries which conducted mine-clearing missions in conjunction with The Partnership for Peace, a bilateral cooperation programme between Euro-Atlantic partner countries and NATO. Wherever dredging or trenching had disturbed the seabed, the Company monitored Benthic, or aquatic fauna, to oversee its recovery. Growth on the pipeline itself was also recorded. Furthermore, air emissions, as well as light and noise levels, were tested in the landfall areas where construction took place close to residential zones. Saipem also monitored water movements around the pipelines in order to verify that natural currents were not disturbed or changed by the facility. Alongside these activities, the Company observed bird populations and fish numbers to assess whether they had been affected by increased seawater turbidity or project operations. Finally, Saipem undertook visual inspections of objects of cultural value along the route both before and after pipe lay.

### Message in a bottle: recycling is good, reuse even better ...

In 2010 about 100,000 plastic bottles were consumed in the San Donato Milanese offices in Italy. The following year Saipem launched an environmentally friendly giveaway to employees of a personalized 100% recyclable aluminum bottle to be used in place of PET bottles for refills at water dispensers.

Photo by Agostino Napolitano





## KAZAKHSTAN

Kazakhstan has issued a series of laws and regulations to protect biodiversity. It has imposed the absolute prohibition to discharge waste and wastewater into the State Reserve located in the North of the Caspian Sea.

The Caspian Sea is the world's largest enclosed body of water. It has a salinity level of over 13.7% and its coastline boasts one of the richest ecosystems in the world. The presence of various habitats supports a wide range of flora and fauna, with high natural productivity. This is why, being aware of how precious this system is and particularly of its precarious balance, the countries bordering the Caspian Sea have all joined the 'Caspian Environment Programme' (CEP), which focuses on trans-national biodiversity. According to this law, no business operating in Kazakhstan can

dump any kind of water into the Caspian Sea. Ersai, one of the companies representing Saipem in Kazakhstan, built the Kuryk Yard in 2005 for the fabrication of pipe racks and vessels. It adopted an environmental management system aimed at the continuous improvement of environmental performance and compliance with local laws and to this end was equipped with a wastewater treatment plant in 2006. However, as the number of residents in the area grew, the plant required expansion. In 2009 two additional biological treatment modules were installed and an oily water

treatment plant was constructed. In 2011 Ersai installed a new bio-membrane treatment module with a capacity of 600 m<sup>3</sup> per day and the current desalination plant was also expanded. Ultraviolet lamps for disinfection were added to improve the quality of water. There have been several positive outcomes to this expansion, the main ones of which are an improvement in the quality and efficient use of treated water, the reuse of water for technical purposes and dust abatement, and the possibility of collecting offshore sewage. In total, the Kuryk

Yard has 3 biological treatment modules with a capacity of 840 m<sup>3</sup> per day, and 1 bio-membrane treatment module with a capacity of 600 m<sup>3</sup>. The Ersai Yard is now fully supplied with drinking water produced from its own desalination plant. It is compliant with the 'Zero Discharge Policy' and, in observance of Republic of Kazakhstan (RoK) laws regarding the storage and disposal of certain hazardous wastes, the treated water is used for dust abatement and irrigation.

In May 2011 Ersai shut down 11 diesel generators on the Kuryk base, which is now connected to the public electricity grid. The generators can, however, be restarted in the event of emergency.

The main achievements of this measure were a lowering of air emissions in 2011 of 33% compared with 2010, an

improvement in the general quality of air around the yard and a decrease in payments for air emissions (down 57% compared

with the previous year). The generators were also causing noise and brought with them the risk of oil spills, both of which can

now be avoided thanks to the new power supply.

Saipem Kazakhstan Branch has launched a motivation campaign called 'I turn my engine off when my vehicle is stopped'. The project aims to increase the awareness of drivers and the general public towards cleaner air, environmental protection and sustainable resource management through the reduction of fuel consumption and, subsequently, of the emission into the air of CO<sub>2</sub> and other harmful substances.

In Atyrau, Oil & Gas industry growth and increasing urbanization bring a number of environmental and economic challenges to the region, such as air pollution. The greatest risk to health deriving from vehicles occurs when these are stuck in traffic jams on motorways or in queues at a school, car park or drive-through.

The project comprised workshops targeted at drivers and teachers of local schools as well as various other events to increase community environmental awareness. These included the distribution of stickers to drivers of both private and public transport vehicles. The workshop for drivers took place in Saipem and Ersai offices

and involved Company drivers. The main goals were to avoid leaving the engine running needlessly while the vehicle is stationary and to explain the economic, environmental and spin-off benefits of this behaviour. The workshop for teachers was held in Kazakh and Russian. Stickers and CDs were specially prepared and distributed by

Saipem upon completion of seminars. These will provide teachers with effective support to carry out workshops during education programmes in junior and secondary schools aimed at increasing student awareness of the dangers of leaving engines ticking over unnecessarily.



## QATAR

Since the beginning of construction of Qatar Fertilizer Company's (QAFCO) latest and biggest Ammonia and Urea production plant, Saipem, together with its Consortium partner Hyundai, has implemented recycling initiatives for waste generated from construction activities.

The recycling of ferrous and non-ferrous metals, copper and aluminium scraps and used batteries commenced shortly after construction began. In January 2011 the Consortium initiated the collection and recycling of paper, and in April 2011 electronic waste recycling was also introduced, thus boosting Saipem waste management procedures even further.

Saipem is committed to minimizing the impact of its activities on the environment as

per the Project Environmental Management Plan and Corporate requirements. To this end, and to bolster corporate waste minimization strategies and improve waste disposal tracking, Saipem visited the only paper recycling factory in Qatar, Al Suwaidi, where QAFCO waste paper is sent.

The small factory covers an area of 4,000 m<sup>3</sup> and is operated by a limited number of staff and semi-automatic machines. A certificate of consumption is issued with each collection of paper and

cardboard to ensure that they are being recycled. Paper and cardboard waste from Qafco 5 and 6 are sent to the factory on a continual basis to support the recycling initiative undertaken by the Company. It should be noted, however, that the amount of paper and cardboard waste produced from Qafco 5 and 6 is in fact slowly diminishing according as reduction strategies are implemented. The latter include, for example, greater resort to electronic communications, printing only when necessary

and using both sides of a piece of paper before discarding it.

In 2011 a total of 55.5 tonnes of paper and cardboard were sent to the factory for recycling. This saved approximately 137 m<sup>3</sup> of landfill space, prevented the emission of greenhouse gases from paper composition, and avoided the need to use 1.67 million litres of water and 16,700 kWh of electricity in the production of new paper. A marked month-by-month decrease in the amount of waste paper generated was also noted.

## Management of the Offshore LNG Toscana (OLT) project is solid proof of Saipem's commitment to safeguard the environment, the local area and the landscape.

The OLT project consists of an FRSU (Floating Storage Regasification Unit) which will be permanently anchored off the coast of Livorno. The LNG will be regasified on board and then sent to the mainland. The 36.5 km pipeline will connect the subsea PLEM (Pipeline End Manifold) to the Snam Rete Gas (SRG) national grid. The sea section of the line will run for about 29 km along a route between the PLEM and the NLTE (New Land Terminal End) situated at the inlet to the Scolmatore, an artificial flood channel of the river Arno. The land section, on the other hand, will run for about 7.5 km and connect the NLTE to the SRG substation in Collesalveti, Livorno.

Livorno is one of Italy's most important ports from a commercial, tourist and industrial perspective, and it was clear from the outset that it would be difficult to operate in an area with these features. It was therefore necessary to prepare special protective measures both to safeguard the bathing season and comply with the environmental restrictions that characterize the zone. Furthermore, the morphology of the terrain and the proximity to the Meloria Shoals (a protected area located in the Tuscan Archipelago National Park) required the adoption of further precautionary measures. In the areas affected by the works, the need arose

to transplant the *Posidonia oceanica* meadows before operations commenced. The *Posidonia* is considered by the 92/43/EEC Habitats directive to be vital for ensuring the balance of coastal and marine ecosystems. The Italian Ministry for the Environment has in fact implemented a specific programme for protecting the most ecologically fragile portions of the meadows.

The instruments used during monitoring had three distinct spatial scales: the ecosystem scale, the local scale and the bunch or group scale (micro scale). Saipem took video footage of the pipeline route and performed morphological surveys. Various types of analysis were then carried out to detect the presence of *Posidonia oceanica*. Subsequently, a tailor-made plan was put together for explantation and reimplantation, with due regard for the protective

measures applicable to this specific case.

Reimplantation took place at the end of 2010 in an area of 2.25 m<sup>2</sup>. In 2011 work focused on planning the monitoring schemes targeted at assessing the effectiveness of the operation, which would be measurable by the survival rate of the *Posidonia*. The first stage of monitoring took place in August 2011 on the Meloria Shoals. Given the limited size of this area, work was carried out at micro scale level which consented checks on the transplanted meadows by counting their groupings. The results showed that the average survival rate in the first year was 75%. When Saipem has completed its scope of work for the project, monitoring of biodiversity protection will be taken over by the Client.



## ALGERIA

Saipem does its best to reduce the environmental impact arising from its operational activities. Inspections and surveys are generally carried out for this purpose, especially when operations are conducted in environmentally sensitive areas. Saipem operates in Algeria as Saipem Contracting Algérie SpA (SCA). The Company's head offices are in Algiers, while an operational base is located near Hassi Messaoud, Ouargla.

Among the species under threat in the area is the white stork, a long-distance migrant that flies south from its summer breeding grounds in Europe in August and September to winter between tropical Sub-Saharan Africa to as far south as South Africa.

This bird is one of the species to which the Agreement on the Conservation of African-Eurasian Migratory Waterbirds (AEWA) applies. Parties to the Agreement are required to engage in a wide range of conservation strategies described in a detailed action plan. The plan is intended to

address key issues such as species and habitat conservation, management of human activities, research, education and implementation.

In order to protect storks, at the Saipem Algeria Branch all employees are advised never to hurt or disturb them while

crossing the rig site area. Other precautions include not allowing the birds to drink from the waste pit, mud sump and sewage pit. Furthermore, when moving to a new location to drill a new well, the waste pit and sewage pit of the old location are always buried and the old well is cleaned.



### Expert Panel Report

*Review by Khalid Ghozlani*

The UN International Year for 2012 and 2013 focused on *Sustainable Energy for All* and *Water Cooperation* respectively. The selection of these two themes highlights the importance of 'Energy Sustainability' and 'Water'

to the world community, and the role awareness plays in conveying this message. In the same manner Saipem's 'Environmental Awareness Campaign' initiated in 2010 benefited from the momentum behind the 'World Environmental Day' (WED) in 2011, be it through events in educational institutions, residential settings or at the work place. Current awareness efforts regarding water savings is certainly a judicious choice of themes.

Additionally, 'Sustainable Energy'

is better achieved when the energy industry leads by example and explains to all stakeholders its efforts in building its business on sustainable foundations. Saipem's past and present reports on sustainability, which describe Saipem's efforts to optimize the use of energy, are certainly in-line with the UN International Year 2012 theme. Ersai Yard in Kazakhstan is a good example of how sustained efforts resulted in compliance with a 'Zero discharge policy' in the fragile and

diverse eco-system of the Caspian Sea. Shah Gas Development project in the UAE is another such example. Although the present report is meant to be of qualitative nature (while the Saipem Sustainability Performance Report provides key performance indicators - KPI), complementing it with few KPI, and highlighting efforts towards subcontractors, as is done in previous sections, will certainly provide the reader with a broader perspective.



## UAE

Saipem has been awarded a contract for the development of the Shah Gas Development (SGD) Project. The programme consists of the treatment of 1 billion cubic feet per day of sour gas from the Shah field, before separating the sulphur from the natural gas and transporting both to processing facilities at Habshan.

The project plan is to develop the SGD Shah Arab Field and SGD Process Facilities, produce pipelines and a Sulphur Export Terminal, and construct a railway to enable the transportation of sulphur from gas extraction plants in Shah to the port of Ruwais. Given the location of the site,

the consumption of water is a critical environmental factor. Indeed, fresh and potable water must be supplied continuously. Saipem uses water mainly for washing, road watering, dust abatement, irrigation, services for workers, canteens, offices and the accommodation camp. An adequate water storage system

and an appropriate wastewater disposal mechanism were designed from the outset of the project to keep water losses to a minimum. A sewage treatment plant was designed to remove contaminants from sewage water to produce liquid and solids suitable for discharge or reuse for a variety of purposes

[i.e. dust abatement and irrigation]. The process to remove these contaminants includes physical, chemical and biological treatments. Finally, all people working on the project are trained and made aware of how vital it is to maintain specific water consumption levels over the project's life span.





## NIGERIA

In Nigeria, unwanted natural gas released during oil production is usually burnt off. This flaring and venting produces huge quantities of greenhouse gas emissions. Significantly reducing flaring and its harmful effects on health and the environment, while continuing to exploit Nigeria's crude oil resources, is a priority for the government.

Saipem believes that durable competitive success can be best assured by conducting its business in a responsible way and by engaging in projects that benefit everybody. For this reason, Saipem decided to get involved in the flaring down process by building a new dedicated area at the Ebocha Oil Centre, operated by Eni, from where it worked

on the installation and commissioning of a turbo generator, one medium and two low pressure compressors, and other connecting facilities. The engineering design for a compression island was carried out by Saipem Energy Services, while construction was performed by Saipem Nigeria in partnership with the Nigerian contractor Desicon.

The project was successfully concluded in April 2010. Roughly 1.5 million standard cubic metres per day of gas previously flared at the Ebocha Oil Centre are now compressed on the compression island and then delivered through the existing pipeline system to a gas hub, where they are made available for domestic use at Nigeria's Omoku Power Station. It is estimated the Ebocha

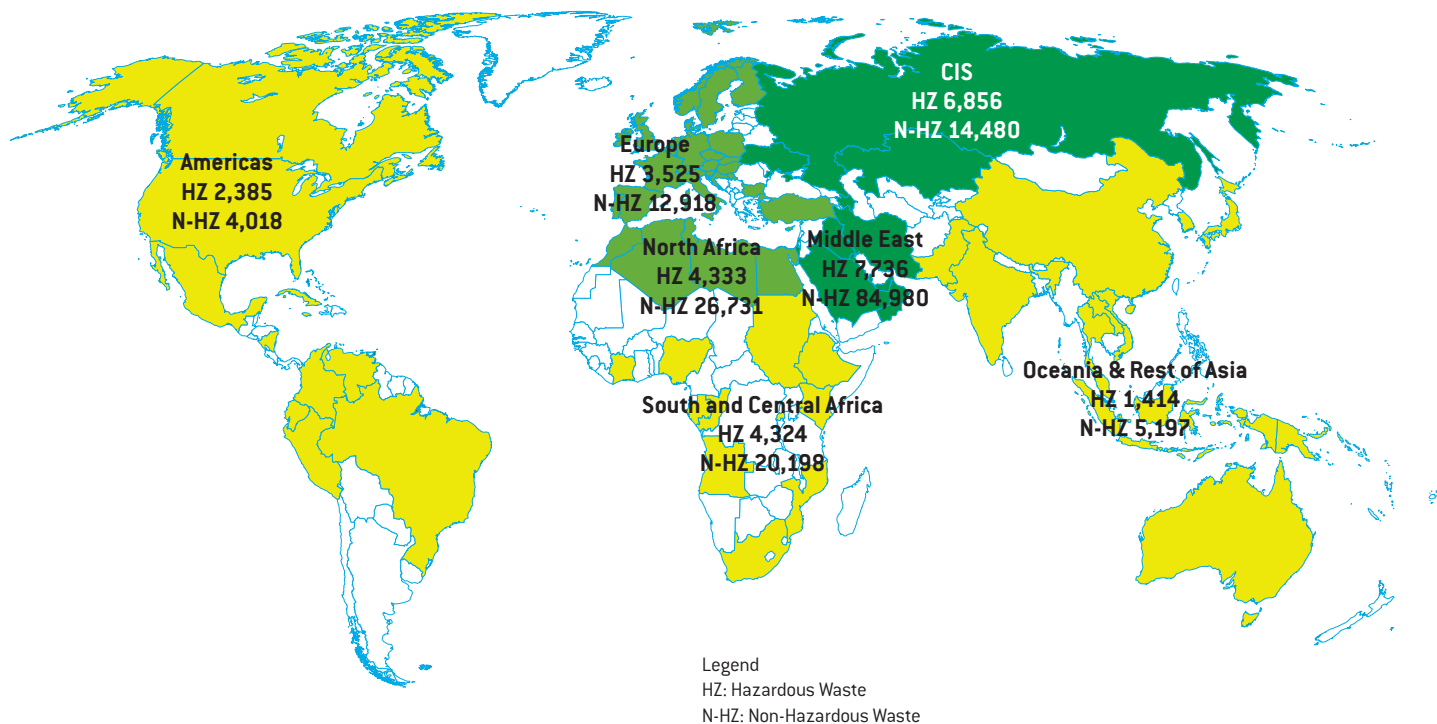
project will reduce CO<sub>2</sub> equivalent emissions by 1.27 million tonnes per year. And with the new facility up and running, there is also a welcome end to the heat, light and noise that are among the other negative effects of flaring. While the new Ebocha facility has already yielded significant environmental benefits, the project also stands out for the speed with which it was executed.

### Waste produced

Out of a total of 200,114 tonnes of waste produced during the year, hazardous waste accounted for 15.5%. Distribution by geographical area is affected by the specificities of operations carried out in the period, in particular the large quantities of waste produced during onshore construction.

Total waste produced (tonnes) per million man-hours worked:

<200    
  200-400    
  400-600    
  600-800    
  800-1,000    
  >1,000





Riccardo Mancioli, Woman in orange, Longo

*'Their Development is Our Future'*

Lawrence Ow

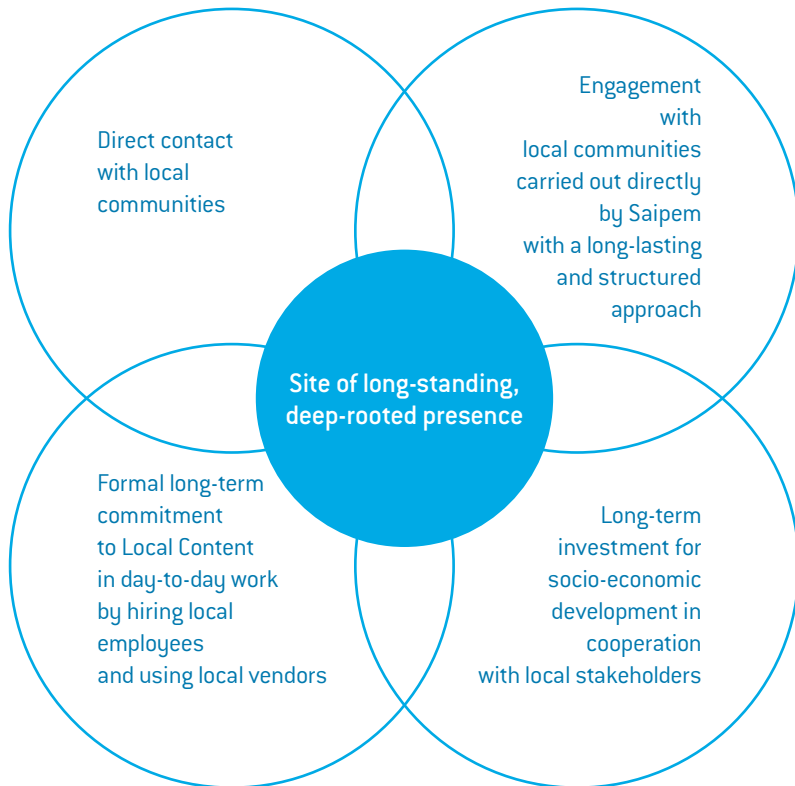
# On-the-Ground Presence

In an ever-changing Oil & Gas industry, which has shifted primarily towards emerging non-OECD countries, Saipem views its strategy of integration in the local context as a crucial requirement for long-term

sustainable business.

As a contractor in the Oil & Gas industry, Saipem's presence in an area or on a site varies according to the type of operations conducted and the type of project requested by the Client.

**Saipem is based in many locations around the world and operates with a decentralized organization in order to respond to local needs and sustainability issues.**

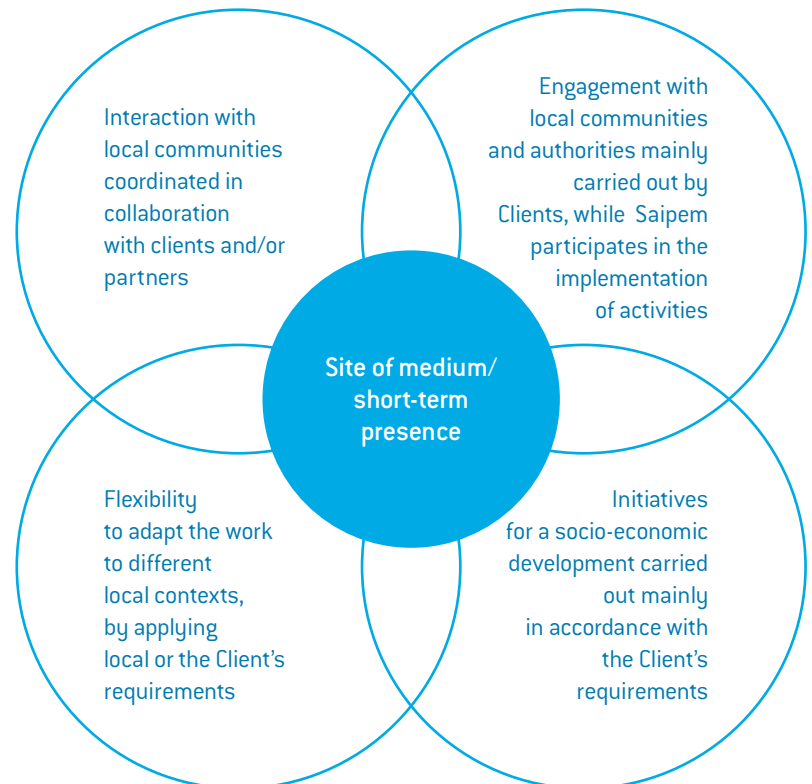


approach adopted throughout the Group requires that local community initiatives be part of an overall sustainability project integrated into Saipem's business strategy. Ideas should preferably be brought to fruition early in the engineering phase so that they can be merged into the project process. The Company should include its schemes in a more comprehensive analysis of its stakeholders, determining specific scopes, finding appropriate resources and then

maintaining control over events and monitoring their results. The strategy for selecting community projects should, if at all possible, be linked to Saipem's business in the area and to the local economic context.

Saipem's presence in local communities takes on two main forms: long-term presence (in locations where Saipem has construction yards or other permanent facilities), or mid- to short-term presence (in locations where the Company is working on specific projects following the express demands of the client). The degree to which Saipem engages with local communities depends on whether its presence is a long-term or short-term one.

As regards initiatives for host communities, a single approach that can be applied worldwide does not exist. Saipem's experiences in the countries where it operates reveal a variety of methods for building sustainability into community projects. Saipem has defined some general and high-level rules for the design and implementation of community programmes. These are aimed at the development of local contexts and are usually run directly by the operating companies. The management



## Involving stakeholders

**The creation of dialogue with stakeholders is an essential feature of responsible business practice. It facilitates the Company's ability to understand different points of view, identify and manage risks and build trust and confidence, especially among local stakeholders.**

Considering the different and heterogeneous types of Saipem stakeholder, there is no one single method of engagement that can be effective for all. A successful approach can, therefore, be based for the most part on the use of different forms of dialogue according to stakeholder type and according to whether the level of engagement is local or global.

At global level, a process of identification is implemented via messages and commitments addressed to stakeholders. Contemporaneously, international and group-wide stakeholders, such as investors, shareholders, clients and employee representatives, are engaged through different forms of 'listening and dialogue' initiatives,

depending on specific needs (further details on engagement activities are available in the section Governance, Commitments and Stakeholder Involvement of Addendum: Sustainability Performance). At country level, Saipem operating companies identify the most important stakeholders and the best ways of engaging them in dialogue. In order to guarantee a consistent framework for stakeholder engagement among all operating companies and countries, Saipem has developed supporting tools to help each operating company map and monitor its stakeholders and define strategies and methods of engagement. The main results from this first year of application of the stakeholder mapping tool in the countries in which Saipem has a long-term presence highlighted the will to:

- continue and strengthen further our cooperation with clients so as to share Saipem's sustainability vision with them and possibly coordinate local initiatives together;
- continue and further strengthen cooperation with vendors, especially local vendors, including in terms of sustainability, with possible involvement in initiatives for local community development;
- continue dialogue with local authorities and local community representatives (where it is possible and depending on contractual requirements), maintain cooperation with them in the context of understanding their needs and expectations and work together with them in the identification and implementation of specific initiatives for local community development.



### INDONESIA

Since 2010, social, economic and cultural surveys have been conducted on a six-monthly basis around the Saipem Karimun Fabrication Yard (Indonesia).

The results should provide input for Saipem in its endeavour to build closer ties with the local people in order to keep to a minimum any negative impacts arising out of operations and to maximize the positive effects for the host communities. The survey conducted in 2011 focused on four sub units of Pangke Village. With a total population of 6,059 (1,248 families) on an area of 1,960 Ha, Pangke Village is part of Meral District, Karimun Regency. Other industries were already active in the village before construction of the yard, including granite mining and smelting. Most of the villagers

are manual workers or labourers, with additional livelihoods coming from fisheries, some of which have been run for generations. Another potential resource of the area is the Pelawan Beach, a recreational destination for domestic and international tourists. The survey was carried out by PT Surveyor Indonesia, an independent entity, on a sample of heads of households. It encompassed several topics such as demographics, economic situation, employment, educational level, culture and the perception of Saipem's business activities. The 2011 survey

involved 103 households and, alongside pointing out changes and trends that have occurred over time, its purpose was to identify and evaluate:

- local worker participation, as well as business opportunities arising from project subcontractors;
- the increase in community wellbeing;
- potential social conflict between local people and Saipem resulting from competition in the utilization of available employment and business opportunities;
- direct and indirect impacts from tourist related

construction on Palawan Beach;

- the effectiveness of the managerial approach in maximizing employment and business opportunities for the local community.

All the information collected goes to update a database to aid decision-making processes within Saipem. In general, the results point towards the need to continue activities on Local Content as per the Company's strategy, boost information flows towards local communities and reinforce cooperation with local subcontractors.



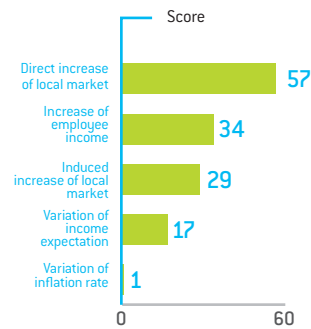
## ALGERIA & NIGERIA

A stakeholder survey was conducted on a panel of key vendors to collect qualitative information aimed at identifying the perceived impacts of Saipem operations in Algeria and Nigeria.

A total of 19 Algerian and 23 Nigerian key vendors were interviewed face to face. The survey was conducted in two parts. In the first, vendors of Saipem Contracting Algérie SpA (SCA) and Saipem Contracting (Nigeria) Ltd (SCNL) were asked to rank some selected topics from 1 (no effect) to 5 (decisive effect). Themes included:

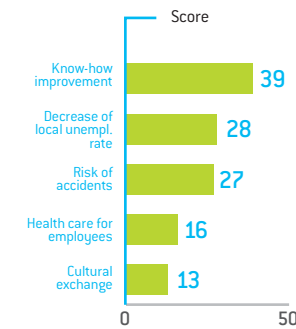
- Saipem's overall impact on the economy, society and the development of local markets;
- the creation of new jobs;
- any changes in the income level of households and in local workforce skills;
- more generally the quality of

### Nigeria Economic

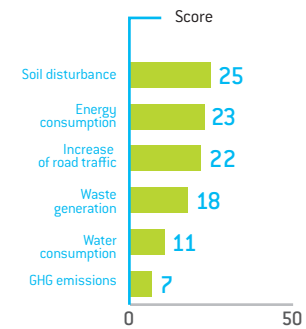


life of local people. The above charts summarize the results of the first part of the survey. The impact of Saipem's activities is perceived by suppliers as above moderate in Algeria

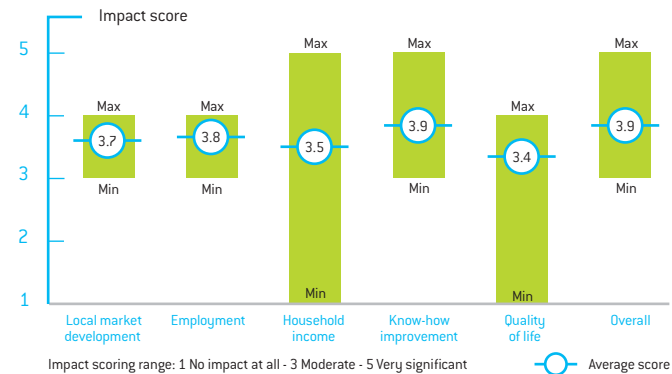
### Nigeria Social



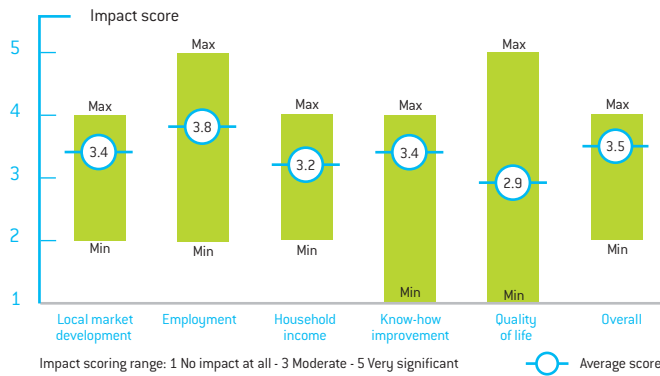
### Nigeria Environmental



### Nigeria: perceived impact of Saipem Group operations



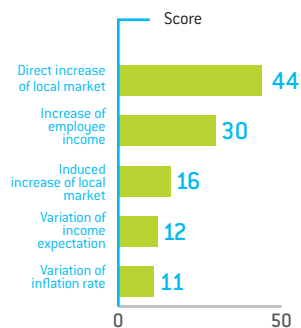
### Algeria: perceived impact of Saipem Group operations



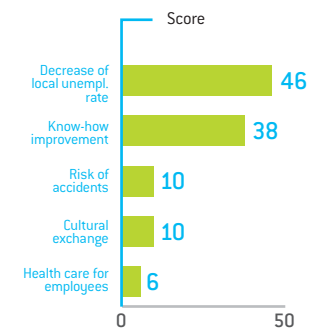
and almost positive in Nigeria as average. In the second part of the survey, vendors were given a list of proposed impacts and asked to identify the three major economic, social and

environmental ones deriving from SCA and SCNL operations. Algerian suppliers pinpointed an increase in local markets, a decrease in local unemployment and energy consumption as the most significant impacts. The Nigerians, on the other hand, expressed the belief that, by boosting the local economy, Saipem had an important role to play in local market development and that it is also an indirect driver of salaries. Training and know-how transfer were perceived as important value generated by Saipem, while from an environmental perspective soil disturbance is considered the most relevant impact of Saipem operations.

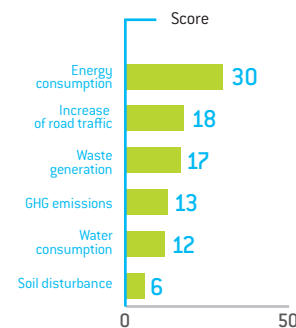
### Algeria Economic



### Algeria Social



### Algeria Environmental



## Saipem believes it has a duty towards capacity building in local communities. Given its long-term presence in various types of area and the need to make this presence as mutually beneficial as possible, Saipem commits resources to the development of local social systems.

It does this by basing its actions on the analysis of the local community expectations and by pursuing its aim to get the communities themselves to take on the long-term management of investments.

Education and training play a

vital role in community capacity building. Alongside activities for local personnel employed by the Company, Saipem often promotes or participates in projects for the development of the technical, managerial and entrepreneurial skills of the local

population.

Relations with local authorities in charge of economic development and education, as well as cooperation with schools and universities, are vital for the implementation of a win-win strategy.

Saipem is also working to identify the most efficient monitoring indicators for each local community project so that it can assess the achievement of results more quickly and gather the lessons learned for future application.



## KAZAKHSTAN

In the context of the memorandum of mutual cooperation with the Karaganda State Technical University, in 2011 Ersai provided welding equipment as a contribution to the training of local welding specialists.

In the period 2009-2011, Ersai launched a scholarship programme for students from needy families. Nine students were selected and are now studying in various faculties of the Karaganda State Technical University. Ersai will provide

tuition fees for 5 years, as well as a monthly allowance and transport costs. The agreement requires that the students attend the courses diligently and that they subsequently work for Ersai for a minimum of 5 years.

For the second year in a row, Ersai organized 7-month courses for Kuryk school graduates to prepare them for the National Testing Examination. As a result, 24 students received the State Scholarship to study free at one of the State Universities

in Kazakhstan. English and computer courses were organized on a regular basis for unemployed people and English lessons were given to school children to help them improve their language skills.



## Expert Panel Report

### Review by Arthur Minsat

Numerous best practices continue to place Saipem as a sustainability leader in the oil & gas services industry. It conducts regular stakeholder surveys and dialogue initiatives, promotes local entrepreneurship, and forges win-win public-private partnerships with local health operators, schools and universities. Saipem emphasises that it does not address local issues with one-size-fits-all solutions. The report could disaggregate statistics more systematically (notably the total training hours given to host communities) in order to deliver a more accurate assessment of Saipem's practices in different countries.

Empowerment and capacity building of local communities are keys to sustainable development, as this report rightly underlines. More weight should be given, therefore, to

specifying how local communities have effectively applied the skills acquired thanks to Saipem's training courses and programmes. The performances of Saipem's business operations in different countries could be assessed according to key sustainability indicators, which would include Local Content and the engagement with local stakeholders, among other criteria of sustainability. A sustainability index would enable Saipem to rank its operations in order to identify best practices as well as areas for possible improvement. Finally, Saipem could envisage reporting the benefits of strategic social investments by showcasing projects that have borne lasting impact for large numbers of local workers, vendors or communities..

## Expert Panel Report

### Review by Ana Maria Esteves

Saipem's social investment strategy supports long term community development through local procurement, local workforce development and investment in human and economic capital. In community projects falling outside of these core business-related focus areas, Saipem could clarify how projects are selected based on their strategic significance to operations. A key achievement involves efforts to monitor social investment performance. This could be broadened to all aspects of social performance, considering negative as well as positive impacts of operations. The current social impact definitions appear to be narrowed to distribution of economic benefits and environmental impacts. However, there are many others, such

as social and cultural change, or demands on infrastructures and/or services.

Furthermore, stakeholder mapping and Social Impact Assessments are reported as approaches to integrate social performance across operations. But what happens once impact mitigation and enhancement strategies are decided is likewise critical. Saipem should, therefore, also be providing evidence of integration through social management system standards and setting minimum requirements for social performance. Examples of these might include a stakeholder and community engagement plan, an indigenous peoples' plan, impact-benefit agreements, a resettlement plan, a cultural heritage plan, and, finally, a grievance and complaints handling procedure. The system would also comprise a process for assessment of operations for compliance against benchmarks, and revision of social management plans to address gaps.



## Health is a vital element for the sustainable development of any community.

Saipem believes that a healthy context should prevail in the areas where it operates, since this ensures that staff employed

can carry out their duties to the best of their abilities. However, Saipem equally believes that health is an indispensable condition for the future development of a community, since it ensures that all other investments have a real chance of reaping long-lasting benefits. Saipem takes part in the improvement of the health related skills of local communities through training, awareness raising,

the supply of instruments and materials and, finally, cooperation with other entities active in the field of health (i.e. local authorities, organizations and clients). Furthermore, where health systems are highly inadequate or, in some cases, non-existent, the medical units that Saipem avails of on each operational project can become the launching pad for the implementation of health measures in favour of

local communities (mainly the families of employees), thanks in particular to the presence of medical staff specialising in the local area's peculiarities and specific health risks. Cooperation with local health authorities is increasingly preferred by communities, above all in relation to themes such as malaria and HIV/AIDS programmes that require a large-scale global and structured approach.



### ALGERIA

In July 2011, Saipem implemented the 'Pregnancy Monitoring Improvement' programme in Hassi Messaoud (Ouargla) in cooperation with the National Union of Algerian Midwives (UNSA).

Algeria is suffering from a lack of midwives and trained health staff. According to World Health Organisation (WHO) standards, on average one midwife should assist 175 pregnant women, while in Algeria there is one midwife for every 1,000 births. This situation is particularly bad in the south, where 13% of pregnancies are not monitored by medical staff and more than 75% of women receive no postnatal care. In this specific context, Saipem Contracting Algérie SpA (SCA) decided to provide

concrete help by developing a social programme for a sample of women from the local population (an average of 30 pregnant women spread out through the various initiatives implemented). Maternal health was at the heart of the programme. To ensure safer motherhood and provide personal medical support, it hinged on three objectives. The first was to provide support for midwives. Three midwives joined the project and were trained to obtain official qualification in obstetrical

ultrasound techniques. Furthermore, to guarantee that they could work in the best possible conditions, Saipem provided them with medical equipment such as ultrasound scanners, foetal monitors, blood glucose metres and pregnancy kits. The second objective was to build real confidence between pregnant women and midwives in a way that would calm and reassure the patient. The final aim of the initiative was to raise women's awareness of

the possible risks before, during and after pregnancy. A specific booklet was used, 'passport de suivi de grossesse', mainly targeted at consolidating the relationship between the midwives and each individual woman. This included an awareness section, all the various phases of pregnancy (personal information, pregnancy calendar, consultation, ultrasound exams and postnatal consultation) and a dedicated area where women and midwives could give feedback on the programme.



### KAZAKHSTAN

On November 23, 2011, Ersai held the second sustainability meeting with potential vendors and subcontractors to be involved in a shared programme of initiatives targeted at the development of host communities.

This encounter had the aim of nurturing good relations and improving the climate of long-term mutual understanding and trust. During the meeting Ersai brought its sustainability

principles and plan to the attention of the vendors and subcontractors, with a particular focus on projects and social initiatives for potential partnership. As a result of this

campaign, a number of vendors such as CIS and RBG began to be more proactive in the sustainable development of the region by investing directly in social initiatives: CIS participated in

the cultural development of the Kuryk region by supporting the enhancement of music facilities at the Kuryk Palace of Culture and RBG Kazakhstan sponsored the Junior Basketball League.





## Expert Panel Report

### Review by Petter Matthews

The report includes a summary description of the systems and procedures used to support stakeholder engagement, as well as case study material that provides examples of outcomes.

This is a good structure, but the balance weighs too heavily towards case study material, and future reports would benefit from more detail on systems and procedures. This could include, for example, details of measures that are in place to manage grievances and resolve conflicts and data on the types of grievances that arose and examples of how they were managed. The stakeholder survey, described on page 50, is informative, but it

only represents the perceptions of one group of stakeholders (in this case vendors) in two countries. Consideration should be given to extending this survey to include a broader range of stakeholders and more countries. It would also be helpful to explain the methodology used in order to reassure the reader of the accuracy and reliability of the survey results. Saipem has recently developed new instruments for strengthening

community engagement, such as stakeholder mapping and monitoring tools. It is hoped that these will enable more thorough collection and reporting of data on the effectiveness of the stakeholder engagement process in the future. The inclusion of results from a materiality analysis is a welcome improvement. It would be helpful in future reports to explain the weight given to issues raised by communities and local stakeholders.



## KAZAKHSTAN

In December 2011, Ersai, a Saipem joint venture operating in cooperation with the Kazakh government association Urpak-Next, launched a Tuberculosis Campaign in schools in the Mangystau region in the western part of Kazakhstan.

Tuberculosis is a social illness caused by poverty, malnutrition and overcrowding. However, increasingly more people from problem-free families are suffering from it. In addition, the level of tuberculosis among

young people in Mangystau is higher than in other regions of Kazakhstan. A press-conference was held in the presence of the parties concerned, such as the doctor in charge of the Mangystau

regional tuberculosis hospital, the social development centre of the Mangystau region, Urpak-Next and health department officials from Ersai. The campaign covered 10 villages in the Tupkaragan region. Communities

and schoolchildren received information on symptoms and preventive measures and instructors distributed leaflets and showed a practical video.



## VENEZUELA

Petrex operations are located in areas where various endemic diseases are present, most of which can be prevented by good hygienic conditions and an adequate vaccination regime.

Preventive health campaigns were carried out in close coordination with the local health authorities in neighbouring cities near the rigs in the western and eastern regions of the country. These campaigns had 3 steps. First, Petrex provided vaccines against flu, toxoid, hepatitis B and AH1N1 flu. Secondly, medical and dental examinations were

performed. Finally, the company organized effective presentations of preventive measures which include leading a healthy life style and avoiding the diseases which are widespread among the Venezuelan population mainly due to an unbalanced diet, especially heart disease



## ANGOLA

The project 'Food Plus Biodiesel', launched with the feasibility study carried out by Saipem on behalf of Eni in 2009, proceeded apace in 2011 with project engineering phase.

With the assistance of the INCA (National Institute for Coffee) and the Ministry for Agriculture, the areas currently producing oil palms in the country will be registered for assessment in the first half of 2012. In this way, they can be annexed to the project by means of specific agreements with local farmers' associations.

As shown in the feasibility study, this initiative is an interesting experiment in the construction of a rural development model for Angola. Now, however, it is turning its focus to industrial development and to the forging of partnerships with operating stakeholders within the perspective of possible future integration with other local and community development schemes.

## Towards capacity building in local communities

### NIGERIA

In 2011, SCNL continued its internship programme for undergraduates from third level institutes studying subjects such as Engineering, Computer Science, Science Laboratory Techniques and Biological Chemistry.

Since 2006, the programme has involved 28 universities, 15 polytechnics and 12 trade institutions for a total of over 360 students and 42,766 hours of internship. Furthermore, in

accordance with Nigerian Content Development and Monitoring Board (NCDMB) guidelines, SCNL provides technical courses and work experience for young unemployed Nigerian graduates.

This scheme has had 14 trainees since 2008, 8 of whom have been employed by SCNL. At the end of 2011, 50 students were undergoing training on several operating projects.

### COLOMBIA

Petrex' presence in Colombia dates back to 2008 and at the end of 2011 the company had 8 drilling rigs in the country. In 2011, Petrex carried out a variety of projects, all targeted at local communities.

In 2011 Petrex ran a series of initiatives to improve health awareness and conditions. For the first time ever the company involved both government run and private health operators in Ciénaga. Together they provided vaccinations and organized several workshops covering dental care, optometry and gynaecology. Overall 700 people attended these events. Moreover, the 'Mochida de Valores' Project, the Cultural Project and the Football Academy Project were conceived for students

of local schools. The aim of the first two initiatives, which involved 550 and 100 students respectively, was to reinforce cultural identity and values. The Football Academy, on the other hand, sought to instil a sports culture through practical training. A total of 40 children participated. Lastly, in order to improve the skills of local housewives, Petrex organized the Baking and Sewing workshop. The 25 women who participated were later able to contribute to their families' incomes.

### PERU

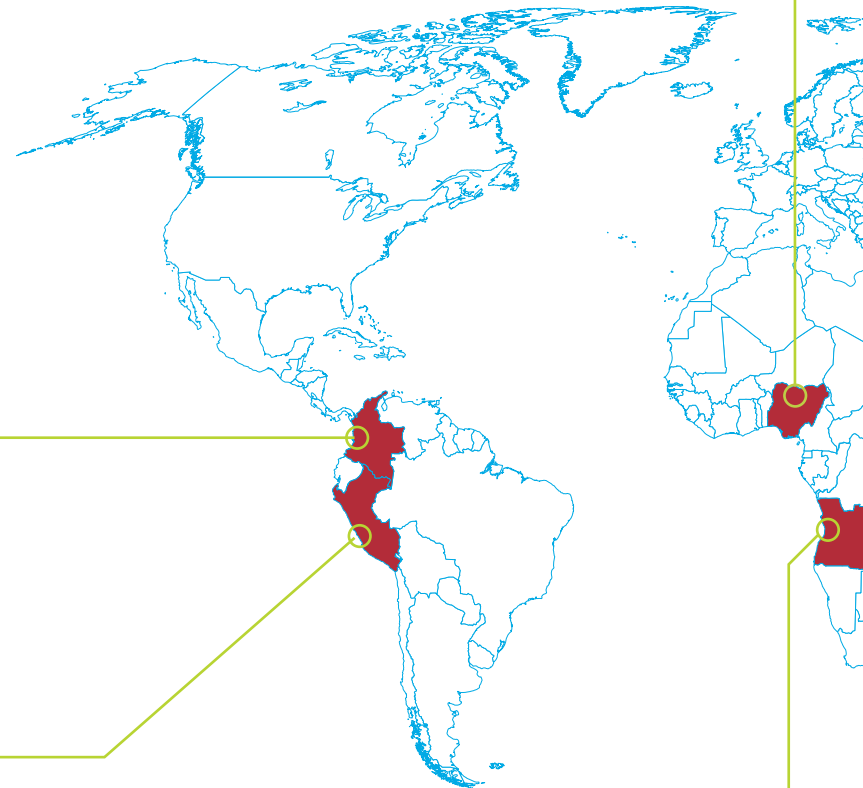
Through the Sustainability Talent Programme, the Company seeks to motivate community groups such as housewives to contribute economically to their households by developing activities that they can carry out without having to leave their homes.

To this end, Petrex organized three courses: the regional cuisine course, in Iquitos, and the delicacy preparation and *chifle* preparation courses in Talara. The regional cuisine course focused on housewives who already had previous experience in the

food business. It helped them to refine their cooking skills and balance the different food types so they could improve the quality and range of their products. In the delicacy preparation course, participants learned how to make different savoury

and sweet delicacies for event catering. In the *chifle* (banana chips) course, on the other hand, the housewives learned how to prepare this typical North Peruvian snack in a way suitable for marketing. All these courses included a

section on business husbandry, teaching participants how to estimate costs, set prices and calculate margins. Not only, therefore, did the course provide them with a specific skill, it also gave them a tool for increasing their household income.



## KAZAKHSTAN

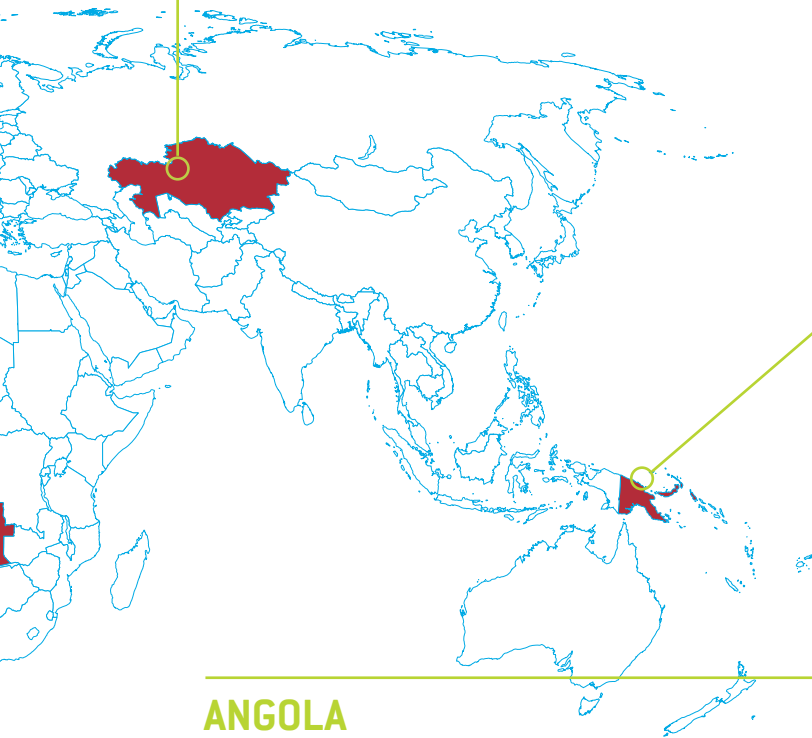
In order to increase youth employability, Saipem Kazakhstan Branch planned and performed an initiative to enhance and develop active, meaningful and self-reliant job search techniques.

During 2011, the Company Branch with the cooperation of the NGO Business-Molodezh Atyrau and the Population Employment Centre thus organized a three-day seminar for young people. An assessment of competences and personal interests, strengths,

labour market needs and specific employers was conducted, and a lesson was given on the most effective methods and techniques for self-presentation currently available and their application in a typical situation. The 60 students in attendance

from various technical and liberal arts colleges learnt about the current state of the labour market and were given the addresses of sites and recruiting organizations as well as a number of key recommendations for a successful job search. Upon

completion of the seminar, the students went away equipped with all the knowledge and skills (including interview skills) required to prepare their portfolio for future employment.



## PAPUA NEW GUINEA

Saipem has sponsored a 16-month training programme in Papua New Guinea for youth selected from the offshore pipeline project impact area. Forty people (20 from Kido and 20 from the Omati) started training in mid-June 2011.

The training programme, which is being run in Port Moresby with the support of the Department of Works (DOW), aims to provide students with basic trade skills in air conditioning and refrigeration, metal fabrication, carpentry and joinery, or plumbing. This will enable them to contribute towards the future development of their communities and will also leave them with better employment prospects once Saipem leaves the area upon successful completion of the EPC 2 part of the PNG LNG Project. To be included in the programme, in mid-2011 candidates underwent assessment, including a written competency test and a medical check-up. Forty people, 30 men and 10 women, were chosen.

At the end of their 16-month training course, and presuming they have received the minimum pass mark in their final exams, the students will receive an

official diploma for the trade they have studied. The training course is intensive and consists of 30% theory and 70% practical learning on the DOW campus, where the students reside permanently. On completion of the first phase of the programme, the students will move on to the second stage, which involves 4 months of on-the-job training. All candidates have been temporarily placed in local companies where they will be able to boost their practical skills even further in a real workplace environment. With this vital experience under their belts, the students will return to the training facility to commence the last part of the syllabus and to cram for their final exams. The students will complete their studies in September 2012 and until that time Saipem will continue to work closely with both DOW and the students to ensure that everyone passes with flying colours.

## ANGOLA

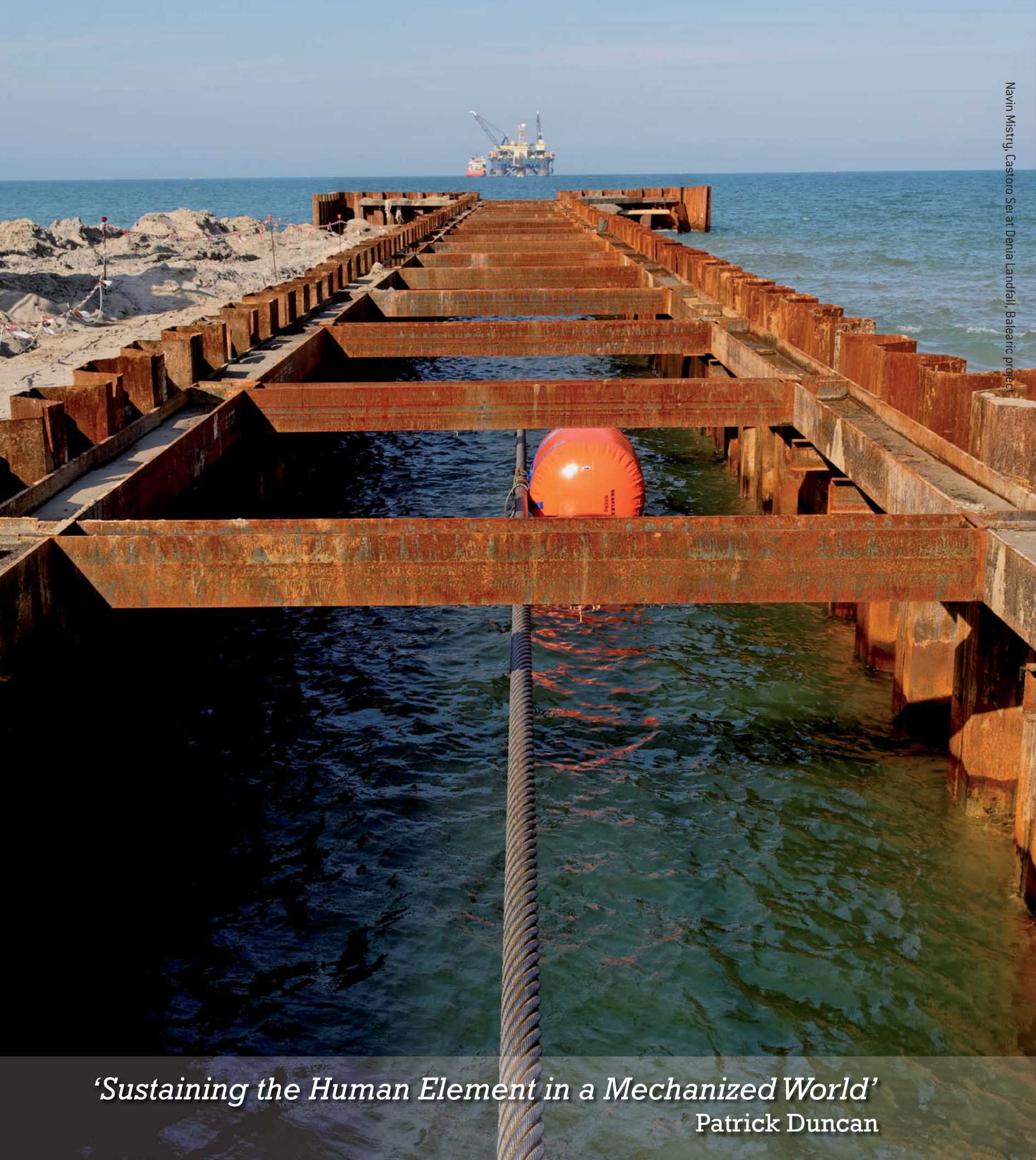
In July 2011, Petromar organized a 10-day training course in Soyo for Quality Control Welding Inspectors based on AWS standards.

The course was promoted by Moody International Angola and conducted by the American Welding Society (AWS). Fifteen Angolans working in the Quality Control Department took part with the aim of qualifying as 'Certified Welding Inspector' (CWI) and/or 'Certified

Associated Welding Inspector' (CAWI).

The exam took place in the same month and consisted of 3 question and answer sessions each lasting 2 hours.

This is the first time in the history of both AWS and Saipem that a course of this type has been delivered in Angola.



*‘Sustaining the Human Element in a Mechanized World’*

Patrick Duncan

# Efficiency for Sustainable Business

For Saipem, sustainability is an element for stimulating the Company's business and for providing a competitive advantage over its peers. In Saipem's business model, sustainability, in its various forms and guises, functions as an efficiency

indicator of the Company's ability to meet client needs and expectations, manage risks and maintain market position.

Risk management and the creation of innovative solutions for improving business play a vital role in the Company's focus on efficiency.

**As a contractor in the Oil & Gas industry, Saipem invests constantly in the functioning and efficiency of its tangible assets. The Company owns a fleet of vessels, as well as specialist plant and equipment, all of which constitute a key component of the its drive to maintain and reinforce its position within the industry. To this can be added market knowledge, long-term relations with clients and integration and synergies involving all business areas.**

For Onshore Drilling, Saipem has a fleet of drilling rigs consisting of a number of vessels which, thanks to investments made over the past few years, has more than doubled since 2006. Experience in drilling combined with good operational and technological skills means that Saipem can execute complex projects involving the use of equipment that can be transported by helicopter to remote areas. An example of this is the setting up of drilling units to specific client needs for operations in the Caspian Sea in ultra-shallow waters and in areas of high environmental sensitivity. Technical improvements are continually reducing the environmental impact of onshore operations and increasing operational efficiency.

In Offshore Drilling operations, Saipem is positioned in more complex deep and ultra-deep water segments on account of the high technical characteristics of its vessels which can operate at depths of up to a maximum of 12,000 feet. To meet the industry's needs more effectively, Saipem is currently completing a programme to reinforce its offshore drilling fleet by fitting it out with state-of-the-art equipment capable of functioning in extreme conditions.

Specifically, in 2012 Saipem will launch two new sixth-generation

semi-submersible platforms, the Scarabeo 8 (under construction) and the Scarabeo 9, both of which are equipped with the most cutting-edge technology currently available to operate at depths of up to 10,000 and 12,000 feet respectively. These two vessels have already been contracted out: Scarabeo 8 will operate offshore Norway for Eni Norge, an area with particularly strict environmental regulations for which the vessel was specifically designed and built; Scarabeo 9, on the other hand, will operate in the Gulf of Mexico for Repsol.

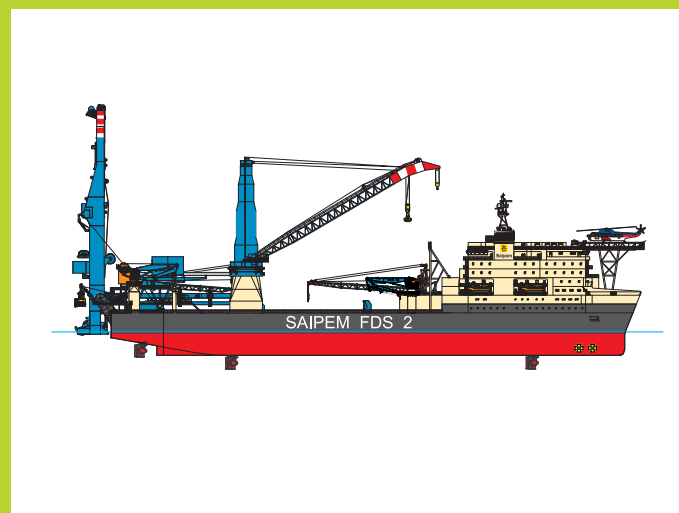
The deep-water drillship S12000, destined for use in Angola, entered into service in 2010 for Total. During the first half of 2011, the Saipem FDS 2 field

development ship entered into service. This pipelay vessel is equipped with a J-lay tower with a capacity of 2,000 tonnes designed to lay pipes of up to 36" in both J-lay and S-lay mode in water depths of up to 3,000 metres. It also has an extremely advanced dynamic positioning system (DP3). The vessel guarantees maximum safety levels for personnel on board and during operations. In short, the new generation of drillships built by Saipem uses complementary technologies developed to strengthen the safety and reliability of control systems during operations.

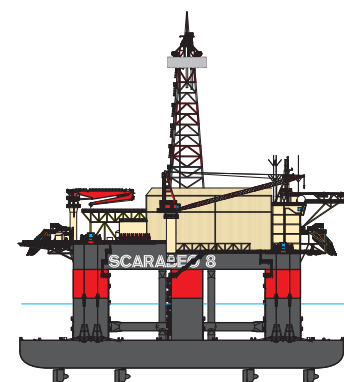
Investments continue in Castorone, a new vessel designed for laying large diameter pipes

in sub-arctic conditions and in deep waters. A control system is being developed on board for integration with the vessel's specific dynamic positioning system. But Saipem is in fact updating and improving the performances of its entire fleet, including as regards greater environmental protection. An increasing number of vessels now use biodegradable hydraulic fluids to avoid polluting the surroundings in the event of accidental leaks. Furthermore, the Company is evaluating the use of fuel catalysts to achieve significant reductions in emissions from its fleet, as well as cutting-edge systems in the field of waste treatment capable of reducing poisonous emissions and residual ash.

Saipem FDS 2 field development ship



Semi-submersible drilling rig Scarabeo 8



## Investments targeted at improving assets are ensured by a constant commitment to technological innovation in all areas of Saipem's business: Onshore, Offshore and Drilling.

Innovation and technology during 2011 consisted mainly of work to address the new challenges of deep and ultra-deep water and floating liquefaction facilities, the development of new methods and equipment for sealine laying and trenching in critical conditions, the reduction of environmental impact during installation and, finally, subsea emergency intervention on exploration and production facilities.

Furthermore, the commitment to improving proprietary process technologies has continued, as have the undertakings to broaden the environmental services portfolio, to develop both onshore and offshore renewable energy sources and to maintain high-tech cooperation with research centres and industry players.

In the pursuit of the design and implementation of new modern and sustainable investments in the onshore business sector, Saipem's technological innovation programme proceeds along two main trajectories:

- to develop unique proprietary process technologies and related know-how in selected lines of oil and gas production and of the derivatives chain;
- to encourage a high level of general technical skills by applying the most advanced technologies available to new Saipem projects.

Process development attempts to achieve continuous improvements in the environmental compatibility of proprietary technology for the production of 'Snamprogetti™ Urea' fertilizers, licensed to date to 121 units world-wide. Attention is currently focused on minimizing the environmental impact of Urea plants (Urea Zero Emission) through the implementation of innovative technologies currently under development. Technology for the recovery of ammonia from flue gas is now ready for application at pilot plant scale.

In the CO<sub>2</sub> Capture and Storage sector, Saipem has completed the development of the Front End Engineering Design (FEED) for a pilot plant for the transportation of CO<sub>2</sub> in dense phase. This should be inserted in the Eni/Enel pilot chain. Meanwhile a feasibility study for the transportation of CO<sub>2</sub> from the Eni R&M refinery in Gela to local oil fields to be used for Enhanced Oil Recovery (EOR) has been completed.

Life Cycle Assessment (LCA) is a methodology for assessing the environmental impact associated with a product, a system or a process along its entire life cycle. It is an important support tool in decision making, process optimization, monitoring and reporting. A Life Cycle Information Database (LCID) has been set up

by Saipem to provide an inventory of energy and oil processes and has been successfully tested on a number of operative projects.

In the renewable energy sector, and in particular offshore technologies, Saipem has been moving ahead with its development of tidal turbines (a large-scale prototype is planned for 2012) and a wave-powered generator for an oil company.

The development of solutions for the storage of energy on a large scale is proceeding apace. Preparation of the test and qualification phase of materials for the accumulation of electricity is underway with the aim of carrying out functional tests in the middle of 2012.

In the Offshore sector, the Oil & Gas market is heading towards increasingly challenging operations. Saipem believes that sustainability is the right response to this development and to this end is developing technologies to support its projects in frontier zones, perfecting the regularity of operations and reducing the environmental impact of construction work.

Technological innovation is also playing a distinctive role in the new class of Saipem vessel dedicated to pipelaying, field development, offshore construction and drilling. Process and control system equipment has been further improved to meet growing demands for complex but at the same time reliable operations.

Over the past few years, low environmental impact solutions have been designed, built, tested

and commissioned for the laying and backfilling of sealines in remote areas, in the presence of ice and in ultra-shallow waters. Trunklines have been installed under the seabed with minimum quantities of soil needing to be dredged.

In 2011 work in sealine trenching focused on the mitigation of environmental impact and the restoration of protected marine areas. The period also saw the carrying out of studies and tests on the restoration of the Posidonia meadows using propagation and transplantation techniques.

A number of functionalities of trenching equipment and burial systems used for the Kashagan project were further developed and tested to reduce the turbidness produced during installation. Studies and developments commenced for a new trenching and pipeline installation method characterized by low environmental impact.

Moreover, studies were completed on a new, high-capacity system for the abandonment and recovery of pipelines as well as on an improved pipe offloading system, while endeavours to increase pipe towing capacity and to monitor its integrity during launch also proceeded apace.

Studies to prevent the flooding of pipes during laying phase were started and the first validation tests were completed on critical components. Analysis of systems capable of intervening in the event of oil leaks from exploration and production equipment were carried out, as were studies of operations in the Arctic regions.

**Saipem believes that the primary expression of efficiency of processes in every phase of project development is to be found in the full satisfaction of client needs. This objective is pursued and monitored by means of a Company Quality Management System in compliance with ISO 9001:2008 international standard.**

The commitment to fully satisfying client needs is brought to fruition in observance of quality requirements, schedules and costs of services provided, as well as in the collection and analysis of feedback obtained by means of customer satisfaction tools. Saipem believes that the building of a mutually beneficial relationship with vendors reinforces the ability of both parties to create value and ensure the satisfaction of client

expectations. The implementation of a Risk and Opportunity Knowledge Management system and the collection of lessons learnt guarantees the circulation of best practices throughout the Group with a view to achieving excellence.

All operating companies in Saipem have implemented a Quality Management System (QMS) in accordance with ISO 9001 as well as with Corporate

**Saipem construction vessels (very often down and out 'sea giants') are equipped for both drilling and assembly operations at sea, and thus require a working environment that is peculiar to this type of activity.**

When carrying out its duties, the crew operates according to pre-established programmes that demand compliance with the highest standards of efficiency, quality, health and safety. All of this means that staff must be suitably trained not only for ordinary activities but also to tackle any and all emergencies that may arise in difficult and challenging environments. Training protocols are the winning card here to ensure that all on-board activities, even the simplest ones, are carried out with due efficiency and in total observance of the rules and regulations. Naturally, for both seamen and construction workers these protocols cover the fundamentals of health and safety as well as the more specifically professional and technical dimensions. As their careers unfold, members of the crew attend professional health and safety courses covering prevention and protection equipment, emergency manoeuvres, first aid, and firefighting techniques. In this way, they in turn can pass on to others with precision and

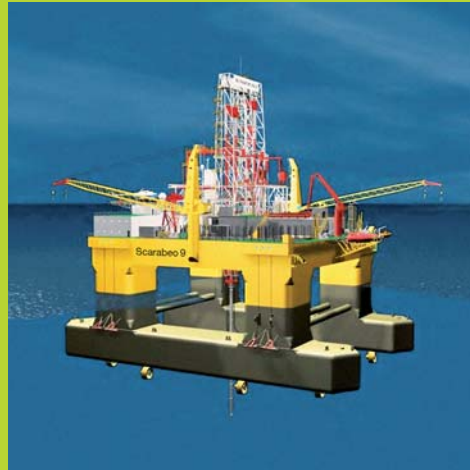
accuracy the general techniques and basic manoeuvres that must be followed in the event of emergency. Furthermore, since each project involves specific duties, the managers of work teams organize daily meetings to inform attendees of the risks associated with the tasks that must be brought to completion that day. Alongside these protocols, all members of the crew are involved in the Leadership in Health and Safety (LiHS) course that focuses on awareness of one's own behaviour and on the need for constant alertness to the risks for one's personal safety and that of colleagues. We can add to all this the professional courses of the technical type which cover vast areas of professional competence and round off an already dense training syllabus by allowing participants to keep up-to-date on rapidly evolving market novelties. Crew members working in this type of environment are subject to constant supervision as part of the training protocol. Moreover, all career moves are initially assessed on-board

by direct supervisors who give their assessment of the resource's abilities and personal characteristics, above all as regards his/her attitude to leadership and to the training of others. Approval is then sought from the competent representatives of Company departments. This process, which complies with well-established Company procedures and has been suitably formalized, ensures excellent average training levels. One can say, indeed, that the deck officers, the engine officers, the site foremen, the assistants and the team leaders reach their positions of responsibility only after a lot of hard work which has brought their personal and professional qualities to the fore and has prepared them to act under the most difficult working and environmental conditions. Finally, as regards Saipem's use of third party vessels, the Company at all times verifies the professionalism of the crews, including in relation to any previous problems that have emerged at sea.



guidelines and relevant standards. Saipem SpA has in fact been ISO 9001:2008 certified by Lloyd's Register Quality Assurance. Together with the planning of continuous improvement and monitoring of work methodologies in accordance with objectives set, the QMS is targeted at ensuring efficiency and effectiveness in production and, consequently, at increasing profitability.

Semi-submersible drilling rig  
Scarabeo 9



Pipelaying vessel  
Castorone



## ALGERIA

In 2011 Saipem completed a mega project assigned in April 2009 by Sonatrach to Saipem sa Group and Saipem Contracting Algérie SpA (SCA).

The scope of the project was to export urea and liquid ammonia through a system of conveyors, transfer towers and pipe racks. The final piles were driven 1.5 km offshore on April 28, 2011, and the last concrete slabs were laid in late May. The installation of marine equipment and facilities for the loading and transport of the substances was completed during the summer. In October, the project team also completed electricity and instrumentation work, and the commissioning phase thus commenced. Specifically, the project consists of a platform combining a metal structure and reinforced concrete slabs, 260 m long and 60 m wide, mounted on 156 steel piles 60" in diameter. The platform allows the simultaneous docking of two 10,000-60,000 tonne vessels for the transport of urea or ammonia. It is connected to the mainland

by a 1,200 metre jetty built with the same mixed structure as the platform and propped up by 122 piles. Technically, the jetty/platform construction method is based on the use of a mobile working platform called a Cantitravel, which supports a 400 tonne crane and a hydraulic hammer. Developed for previous projects, this technology was adapted and optimized to meet the specific needs and constraints of the present one. Like most Saipem sites today, the project is the upshot of a combination of myriad energies and skills developed on various continents. Engineering was provided by Saipem's office in Lima (Peru) (for the part concerning the structure and civil engineering) so as to leverage the experience gained by this organization on previous projects (Melchorita and Callao). The Saint-Quentin office (near

Paris) looked after electricity and instrumentation, Sofresid (Dunkerque, northern France) oversaw the Jetty Control Building, Saint-Quentin and Saint-Nazaire (western France) saw to the marine equipment and Saint-Quentin looked after the geotechnical and hydraulic part. Installation methods were followed on-site after a few months in Saint-Quentin, with the support of the Brazilian company EXE for design of the Cantitravel, which was later manufactured in Lima. The piles were produced in Turkey and the metal structure was put together mainly in Mumbai and partly in Dubai and Abu Dhabi. In Algeria, all on-site works were performed in-house by Saipem teams. Over 600 people were mobilised, including some 50 expatriates, providing mixed management and team leadership. Shifts relieved each

other day and night in a long 20-month effort. With the input of Saipem Contracting Algérie SpA, ninety per cent of operating teams, as well as the QC and HSE teams, were composed of Algerian Saipem personnel. The support of SCA teams based in Algiers and Arzew was a major asset for the recruitment of qualified and skilled staff (i.e. QC, HSE) as well as for everyday personnel management. In order to meet contract deadlines, unskilled workers were recruited and underwent fast and intensive training. Finally, in consultation with Algerian authorities and urban and departmental communities, an accelerated programme covering technical and HSE aspects was conducted to train a group of specialists in marine related activities so that they could work efficiently on the project.

**Over the last decade, Saipem has acquired expertise and work methods from different areas of the world. This has led to major expansion of the Company's know-how. The Construction Dashboard is a new tool targeted at supporting day-to-day operations and Saipem's globalization.**

The Construction Dashboard will facilitate the sharing of methods and approaches and the rapid introduction of resources to remote projects that will increasingly use the same construction execution model. It is based on an extensive database of thousands of documents, construction issues already faced during other projects, lessons learned and a 'work space' to share problems which can be solved using

solutions implemented on other sites. The Construction Dashboard has a dual purpose: on the one hand to support projects, on the other to leverage the experience of the Company's structured know-how. Basically there are four main sections: Construction Engineering, Document System, Guideline Operation Work and Projects. The first section contains all tools and documents that might

be useful for Construction Engineering and that could, therefore, facilitate the completion of specialized studies for the Constructability process. The second includes general procedures that describe the activities from bid phase up to close-out. For most activities, work instructions have been drafted to define the responsibilities and work processes involved on up to completion. Everyone is allowed

to write feedback comments and suggestions for the purpose of continuously updating the work process.

The third section is composed of documentation which may be seen as the real backbone to operating works, as well as a toolbox for new construction engineers enrolled onto projects. Standard Project Templates are provided and can be modified according to the project's specific characteristics, while a database with over 580 work method statements already sorted according to discipline is also available.

The fourth and final section groups any studies conducted for the different projects, whether ongoing or completed.

**Saipem has always been on the cutting edge in terms of the operability, productivity and safety of its machinery. This excellence is ensured in the face of the growing complexity of projects requiring efficient and reliable machines, even in the most challenging conditions.**

Correct design, construction and maintenance of this equipment are critical to ensuring the continued safety of personnel, the environment, the asset and the business. This is why the design of complex machinery must have clear safety objectives. The risks connected to the operation of equipment are carefully evaluated, and the reduction of these to within an acceptable level are considered one of the targets of engineering work. In this perspective, one of the most critical technical issues is the development of control systems. These safety issues have been addressed by several international standards which provide a series of engineering principles for the correct specification, design, construction, testing and

maintenance of control systems for complex machinery. In 2010, Saipem decided to draft a number of Corporate Criteria to translate the contents of the standards into a practical process in line with the Company's way of operating and implementing safety. The purpose of the Criteria is to provide practical tools to ensure that the control system requirements are clearly and exhaustively identified, duly considered during design phase, correctly met during construction, upheld throughout the machine's service life and, finally, maintained even after changes have been implemented. The process is based on the concept that the most critical safety functions in the control system must have a verifiable and measurable level of failure resistance proportionate

to the type of risk they are trying to prevent. Clearly, the failure resistance of a control function depends on the likelihood of its failing. Possible reasons for failures are divided into systematic (due to human error, due to error) and random (due to physical factors). The standards identify the life cycle as a tool to control systematic failures and keep them to a minimum: the control system's life is divided into phases that have specific inputs and outputs, responsibilities and documented checking actions. Conversely, random failures are caused by the architecture and quality of the components selected for the control system. The system's failure resistance is expressed by two parameters: a qualitative one (the ability to maintain

the system's functionality in the event of failures) and a quantitative one (expressed by the Safety Integrity Level (SIL), which considers the failure probability of a safety-related control function). The SIL meets a basic engineering need, namely, to make a control function's failure resistance quantifiable and hence measurable and verifiable. It is, therefore, possible to set a 'SIL target' and check whether or not it has been achieved. In conclusion, the Corporate Criteria offer a new, safety-oriented engineering approach to the development, construction and operation of control systems for complex equipment by helping to minimize the onset of hazardous failures right from the design phase.

Whether the assessment is done at the end of the project or at specific project intervals, the feedback collected is fundamental for Saipem to learn about its key strengths and to identify specific areas that require improvement. A structured methodology to assess Customer Satisfaction has been developed and implemented. The new process places more emphasis on introducing the Customer Satisfaction methodology and its requirements to customers early on in the project (e.g. during kick-off) while at the same time utilizing the specially-created supporting material. During project execution, the Saipem project manager can make the most of selected customer 'Touchpoints' in order to provide more details on the methodology in preparation for submission of the Questionnaire to the client for completion. In addition, the Process considers the activities required to disseminate the methodology and to guarantee the utilization of a common approach within Saipem and with its customers worldwide.

## Meeting customer requirements is an important enabler for Saipem's success and sustained long-term growth. The Customer Satisfaction assessment process is becoming increasingly important for evaluating the willingness of customers to come back to Saipem for future projects.

The Questionnaire structure includes several managerial and technical topics. Specific sections are dedicated to HSE, and sustainability management, Saipem's perceived performance on the project and an added dimension which focuses on measuring the 'real' level of the customer's satisfaction and the quality of its communication with Saipem. About 460 Questionnaires have been received by the Quality department since the launch (seven years ago), of which 96 in the last year. Several instruments have been created to support the process

and its phases. These include a web tool to collect and store customer feedback, training materials targeted at explaining the key processes and tools in detail, communication materials such as brochures and posters, a toolkit to analyse customer feedback and, finally, frameworks to guide the process of reporting at operating company and corporate level. The new methodology focuses on the Customer Satisfaction Index (CSI), based on the concept of the Net Promoter Score (NPS), the most reliable gauge for assessing customer 'loyalty' within major companies. Based

on the responses received, Customers are divided into three clusters: Detractors, Passives and Promoters. The CSI is calculated as the difference between the percentage of Promoters and Detractors.

The NPS methodology has proved to be a reliable index which can help predict a company's growth rate. It cites 'Good Profits' (i.e. those earned with customer satisfaction) as the fundamental driver for business decisions, while companies should try to eliminate 'Bad Profits' (i.e. those earned at the customer's expense). The NPS methodology is applied with the purpose of pointing out Detractors' complaints and Promoters' enthusiastic comments in a structured and systematic way, so as to address improvement actions aimed at eliminating the causes of complaints while underscoring best practices. Finally, customer segmentation into different clusters allows companies to profile Promoters, Passives and Detractors and to plan selected actions targeted at each group.



### Expert Panel Report

#### Review by Khalid Ghazlani

The complexity of this industry and the level of investments to deliver projects on time and on budget make efficiency a key competitive advantage for the sector's players. Marginal improvements in efficiency can result in significant savings and therefore in a better financial position. Saipem's introduction of the Construction Dashboard is an important step in that direction. This tool can capture Saipem's institutional memory, a very valuable asset for any company. Results of similar initiatives within the industry demonstrated an improvement of

efficiency at project level but also a reduction in efficiency variances among projects worldwide. Projects in Russia can immediately access Standard Operating Procedures from similar projects in Brazil in a quick and seamless fashion. Today, thanks to efficient connectivity, it is common in the industry to support local operations with knowledge from remote expert centres. In such centres subject-experts monitor projects in real time and provide input as required. The Construction Dashboard platform is certainly an enabler of a similar approach. Saipem recognizes that the main key performance indicator (KPI)

that renders the various aspects of efficiency, be it implementation of Quality Management Systems, continuous investment in R&D and staff training, incessant pursuit of customers' needs and wants, is captured in customer satisfaction. Meeting customers' requirements and measuring their satisfaction (Customer Satisfaction Index - CSI) are indeed key to business prosperity and long-term sustainability. The methodology used to quantify CSI is well explained. Indicating CSI trend over time could convey the efficiency levels achieved by Saipem and the effectiveness of its actions.

## Overview of the Panel of Experts

**For the second year running, Saipem has submitted its sustainability report to an independent Panel of Experts composed of members of internationally renowned institutions and organizations who do not have any binding contracts or ongoing significant business with the Company.**

**This external perspective is a useful way to receive feedback, and complements Saipem's commitment to transparent and comprehensive disclosure of its sustainability performance.**

The Panel has been partially renewed by the replacement of two experts. The new members were chosen according to their area of expertise, their independence and their ability to provide constructive comments on the contents and quality of the report. As independent Experts, Panel members were required to express their own opinions, which do not necessarily represent those of the organizations for which they work. They analysed the final draft of the document and commented on the completeness and pertinence of the issues reported, highlighting the key strengths, weaknesses and areas for improvement.

The Experts' comments are included in the sections of the document falling within their specific fields of competence. Saipem believes that these observations provide the reader with an authoritative view of the status of the activities, performance and challenges upon which Saipem reports. Saipem considers these comments as valuable input to improve its communication with external and internal stakeholders on an ongoing basis. To substantiate the objectivity and fairness of the Expert Panel, an external organization, BSR (Business for Social Responsibility), was appointed to oversee the process. BSR selected the Experts and undertook direct discussions with them to facilitate their understanding of Saipem's business and its objectives in sustainability reporting. BSR also collated the Expert commentaries and checked that they were inserted into this report without censorship or subjective editing. At Saipem's request, BSR gave the Experts a small honorarium in recognition of the time dedicated to reviewing the report and providing constructive feedback.

### Business for Social Responsibility (BSR)



BSR is a non-profit organization. A leader in corporate responsibility since 1992, it works with its global network of more than 250 member companies to develop sustainable business strategies and solutions through consulting, research and cross-sector cooperation. BSR has offices in Asia, Europe and North America and uses its expertise in environment, human rights, economic development, governance and accountability to guide global companies toward creating a just and sustainable world. Visit [www.bsr.org](http://www.bsr.org) for more information.



### Ana Maria Esteves

Ana Maria Esteves is Director of the social impact assessment consulting firm Community Insights and an Associate of the Centre for Social Responsibility in Mining, University of Queensland. She is currently based in the Netherlands and has worked in countries such as Italy, China (Hong Kong), Mozambique, South Africa, Peru, Brazil, Chile and Australia, applying the following areas of expertise: Local Content strategy and local supplier development; corporate-community investment strategy; participatory social impact assessment; social development needs analysis; and monitoring and evaluation. Ana Maria is also a Director of the International Association of Impact Assessment (IAIA). She holds an MBA from Melbourne Business School and a PhD from Melbourne University.



### Khalid Ghozlani

Khalid is Managing Director of GEnergyConsulting®, a boutique energy consulting firm with offices in Bahrain and Brazil. Khalid has 20 years of global experience in the E&P industry, having started as a Wireline Field Engineer with Schlumberger. Prior to establishing GEnergyConsulting®, Khalid held management and consulting positions throughout much of the industry value chain for operators (including Schlumberger) in North America, Europe, Africa, the Far East and the Middle East. Most recently, Khalid presented research work at the UN Conference for Trade & Development and was a member of the expert panel on Local Content at the Offshore West Africa Conference in Ghana. Additionally, Khalid teaches E&P Economics Simulation and E&P Value Chain at a leading research and educational institution. Khalid was a Fulbright Scholar at The University of Texas at Austin where he obtained an MBA in Energy Finance. He also holds an Engineering Degree from the Ecole Nationale Supérieure d'Ingénieurs de Caen, France.



### Petter Matthews

Petter Matthews is a senior international development specialist with more than 30 years' experience. He is Executive Director of Engineers Against Poverty (EAP), a specialist NGO working in the field of engineering and international development. He was educated at the School of Oriental & African Studies (BA Hons) and the London School of Economics (MSc). He has worked in Africa, Asia and Oceania and has held positions within government, industry and civil society. Petter has worked for EAP for ten years and led the development of its oil, gas and mining programme. He has worked with international oil companies, services contractors, regulators and development banks and has co-authored a number of publications on Local Content.



### Arthur Minsat

Arthur Minsat is a PhD candidate at the London School of Economics (LSE). He has worked in the Electoral Certification Cell of the United Nations Operation in Côte d'Ivoire (UNOCI) and as an economic information analyst. Arthur has designed and implemented research projects with think tanks of international renown, such as the African Forum and Network on Debt and Development (AFRODAD), the Friedrich-Ebert-Foundation (FES), the Institute for Development Studies (IDS), and the European Institute for Asian Studies (EIAS). In addition, during the last eight years Arthur has coordinated public relations and marketing operations at the World Bank, Wolters Kluwer and the Economist Group.



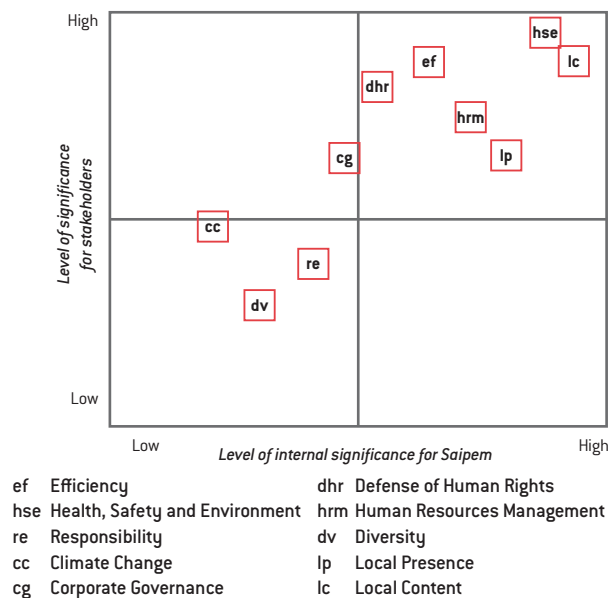
### Cyrille Putz

Cyrille Putz is a Local Content consultant who specializes in supply chain integration and workforce development/vocational training for extractive industry projects (mining, oil & gas). Cyrille is a former Sustainable Development Manager in the Remote Sites Division of Sodexo (Food and Facilities Management). He has worked on assignments with Xstrata (The Philippines), Rio Tinto (Madagascar, Guinea Conakry, Australia), Barrick Gold (Tanzania), Areva (Niger), Avocet Mining (Burkina Faso), Oxiana (Laos), Newmont (Ghana, Peru), Shell (Gabon, Europe/North Sea), Total (Angola, Nigeria, Yemen) and BP (Indonesia). Cyrille has a Master's degree in Law and Economics from Rotterdam University (NL) and another in 'Analyse Economique des Institutions' from the University of Aix-en-Provence (FR).

## Reporting principles and criteria

**This document is an integral part of Saipem's integrated reporting and communication system for sustainability. It is, therefore, one of a series of tools in a multi-channel approach designed to disclose comprehensive and detailed information on the Company's sustainability performance to all stakeholders.**

**In 2011 a materiality analysis was conducted to identify the sustainability issues deemed most relevant for both the Company and its stakeholders.**



'Saipem Sustainability' has been drafted to provide stakeholders with complete and detailed information on the themes of greatest significance. In order to define the contents of the document, reference has been made to the principles of materiality, stakeholder inclusiveness, sustainability context and completeness, as defined by GRI Guidelines. For the purpose of guaranteeing the quality of the information provided, the principles of balance, comparability, accuracy, timeliness, reliability and clarity, again as defined by GRI Guidelines, have been followed. The level of internal significance of the issues to be treated was set by the Sustainability Committee<sup>1</sup>, with due regard for the Company's principles and values, its business strategy and objectives, as well as the skills and competitive factors for which the Company stands out in its market segment.

The level of external significance was surveyed by combining a sustainability benchmarking analysis of 45 of the Company's main clients (majors and national

oil companies, with contracts in force and/or likely to be signed in the future) with the results of the requests and interests that various stakeholders submitted to Saipem over the course of the reporting year. These were then assessed over against the results of a frequency analysis (how often and how many questions were asked on a specific theme) and a relevance analysis (in terms of a theme's criticality and the weight assigned to it) of the topics as they appear in the questionnaires produced by financial analysts and rating agencies (i.e. SAM, Vigeo, Eiris, Goldman Sachs, Accountability and La Financière Responsable).

Benchmarking of clients was based on information they make public in documents and on web sites, on the one hand, and on requests submitted to the Company during commercial phases (qualification questionnaires and contractual requirements regarding sustainability issues), on the other.

**The most significant themes, which are Local Content, HSE, HR Management, Local Presence and Efficiency, form the basis of the five macro sections of the present document in order to provide qualitative and quantitative information on the Company's sustainability performance.**

In order to simplify analysis and comparison of results, the themes were broken down into 10 macro categories. The materiality of topics is

given by the nexus of the levels of internal significance and external interest.

[1] The Sustainability Committee is chaired by the Chief Executive Officer and consists of all Corporate function SVPs, the Deputy CEO, the Chief Operating Officers of the Business Units and the SVP of Integrated Projects.

**Reporting is subject to controls by the same independent auditor used for the consolidated financial statements, for this document and for the Addendum 'Sustainability Performance'.**

Selection of the activities and programmes to be reported in detail in relation to themes identified as 'material' was carried out with due consideration for the sustainability context in which Saipem operates. Greater weight was assigned to those issues and geographical areas in which the Company has a more significant impact. Where possible, the project performance indicators

reported were contextualised with reference to detailed information on local conditions.

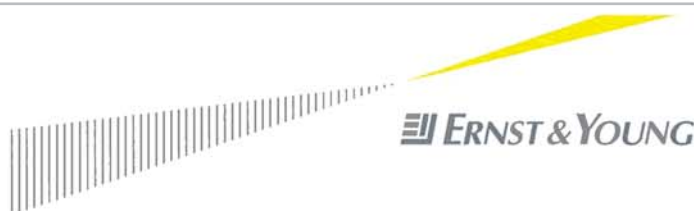
Taking into account the selection of themes and qualitative-quantitative information reported, the scope of consolidation of this document is the same as the one used for drafting the Addendum 'Sustainability Performance'.

**Saipem uses a multi-channel approach to communicate with its stakeholders**

Communication Tools	Financial Stakeholders	Clients	Internal Stakeholders	Local Stakeholders
Saipem Sustainability 2011				
Addendum: Sustainability Performance				
Country & Project Case Studies				
Financial Statements 2011, Corporate Governance, Code of Ethics				
Annual leaflets, posters and internal newsletters				
Sustainability on the Web				

**Dedicated channels designed to reach all stakeholders effectively using an integrated approach**

# Assurance Statement



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## Independent auditors' report on the limited assurance engagement of the "Saipem Sustainability" Report of Saipem Group as of 31 December 2011

To the Shareholders  
of Saipem S.p.A.

1. We have carried out the limited assurance engagement of the "Saipem Sustainability" Report of Saipem Group (hereinafter "the Group") as of 31 December 2011. The Directors of Saipem S.p.A. are responsible for the preparation of the "Saipem Sustainability" Report in accordance with the reporting principles detailed in the paragraph "Reporting principles and criteria", as well as for determining the Group's commitments regarding the sustainability performance and the reporting of achieved results. The Directors of Saipem S.p.A. are also responsible for the identification of stakeholders and of significant matters to report, as well as implementing and maintaining appropriate processes to manage and control internally data and disclosures indicated in the "Saipem Sustainability" Report. Our responsibility is to issue this report on the basis of the work performed.
2. Our work has been conducted in accordance with the principles and guidelines established by the "International Standard on Assurance Engagements 3000 - Assurance Engagements other than Audits or Reviews of Historical Financial Information" ("ISAE 3000"), issued by the International Auditing and Assurance Standards Board. ISAE 3000 requires the compliance with ethical principles ("Code of Ethics for Professional Accountants" issued by the International Federation of Accountants-I.F.A.C.), including professional independence, as well as planning and executing our work in order to obtain a limited assurance, rather than a reasonable assurance, that the "Saipem Sustainability" Report is free from material misstatements. A limited assurance engagement of the "Saipem Sustainability" Report consists in making inquiries, primarily with company's personnel responsible for the preparation of information included in the "Saipem Sustainability" Report, in the analysis of the "Saipem Sustainability" Report and in other procedures in order to obtain evidences considered appropriate.

The procedures performed are summarized below:

- a) comparison between the economic and financial information and data included in the "Saipem Sustainability" Report with those included in the Group consolidated financial statements as of 31 December 2011, on which we issued our Audit Report, pursuant to art. 14 and 16 of Legislative Decree n.39 dated 27 January 2010, on 28 March 2012;
  - analysis of processes that support the generation, recording and management of quantitative data presented in the "Saipem Sustainability" Report. In particular, we have carried out the following procedures: interviews and discussions with Saipem S.p.A.'s management carried out at corporate offices in San Donato (Milan) to obtain an understanding about the information, accounting and reporting system in use for the preparation of the "Saipem Sustainability" Report as well as of the internal control processes and procedures supporting the collection, aggregation, processing and transmission of data and information to the department responsible for the preparation of the "Saipem Sustainability" Report;

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- interviews and discussions with Saipem's Boscongo SA personnel carried out at Boscongo construction yard in Pointe Noire (Congo) and on site verifications at Saipem's operations in Pointe Noire;
  - analysis, on a sample basis, of the documentation supporting the compilation of the "Saipem Sustainability" Report in order to confirm the processes in use, their adequacy and the operation of the Internal control for the correct reliability of data and information in relation to the objectives described in the "Saipem Sustainability" Report.
- b) compliance analysis of qualitative information included in the "Saipem Sustainability" Report with the guidelines identified in paragraph 1 of the present report and of their internal consistency, with reference to the strategy, the sustainability policies and the identification of the significant matters for stakeholders;
  - c) analysis of process relating to the engagement of stakeholders, with reference to the procedures applied;
  - d) obtaining the representation letter, signed by the legal representative of Saipem S.p.A, relating to the compliance of the "Saipem Sustainability" Report with the guidelines indicated in paragraph 1, as well as to the reliability and completeness of information and data presented in the Report.

No procedures have been performed on data and information reported in the section "Quantifying Sustainable Value of Saipem's Local Content" of the "Saipem Sustainability" Report.

A limited assurance engagement is substantially less in scope than a reasonable assurance engagement performed in accordance with ISAE 3000 and it does not provide a similar level of assurance; as a consequence we may not have become aware of all the significant events and circumstances which we could have identified had we performed a reasonable assurance engagement.

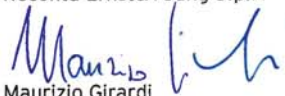
Since this is the first year of preparation of the "Saipem Sustainability" Report, with respect to the data and information of prior years, presented for comparative purposes, we carried out limited assurance procedures only for the purpose of issuing this report.

3. Based on our limited procedures performed, nothing has come to our attention that causes us to believe that the "Saipem Sustainability" Report of the Saipem Group as of 31 December 2011 is not in compliance, in all material respects, with the reporting principles stated in the paragraph "Reporting principles and Criteria".

Milan, Italy

March 28, 2012

Reconta Ernst&Young S.p.A

  
Maurizio Girardi  
(Partner)

## More on Saipem

### Reports and publications:



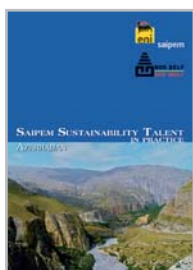
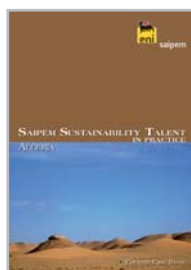
#### Annual Report:

details of Saipem's financial and operating performance over the year



#### Addendum: Sustainability Performance

details of Saipem's sustainability performance over the year



#### Sustainability Case Studies:

Documents which Saipem has published since 2003, focusing on a specific project or country, describing the activities taking place, best practices implemented and the results achieved by Saipem and its operating companies on sustainability issues.



Saipem discloses its financial and non-financial commitments and performance in both print and online media on the Company's Website

[www.saipem.com](http://www.saipem.com)

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#### Feedback

What you think of the Saipem Sustainability Report matters to us.

As we are constantly striving to improve our reporting, we would very much welcome your feedback. We will also be pleased to answer any questions you may have.

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