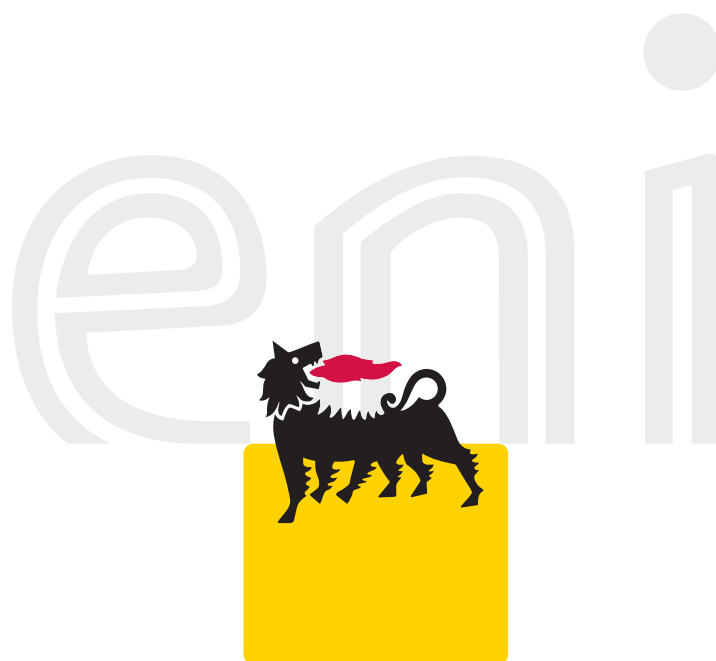


saipem



Sustainability Report 2009

Mission statement

Pursuing the 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 the communities in which we operate

Our core values

Commitment to safety, integrity, openness, flexibility, integration commitment, innovation, quality, competitiveness, teamwork, humility, internationalisation

Letter from the CEO	3
How to read this Report	4
Saipem, the turnkey contractor of the oil & gas industry	6
2009 Key figures	6
Saipem's world at a glance	8

our distinctive approach: promoting local content

Integrated into the local context through our business	12
Local content in Saipem business strategy	14
Algeria	16
Angola	18
Brazil	20
Egypt	22
India	24
Indonesia	26
Kazakhstan	28
Nigeria	30
Peru	32

saipem sustainability talent

Sustainability as a core company value	38
Saipem Sustainability organisation	38
Governance Model	38
Stakeholder engagement	40
Commitments towards stakeholders	41
Sustainable business strategy	42
Overview on market scenarios	42
Saipem: a distinctive Business Model	43
Creating value for shareholders	43
Taking care of Client's satisfaction	45
Strategy towards suppliers	49
People management in Saipem's world	50
A dialogue with Saipem's Human Resources Management	50
Overview on Saipem's people management	52
Security for people and assets	54
Saipem's safety imperative	56
Committed for Health promotion	58
Actions for environmental preservation	62
Greenhouse Gas emissions monitoring	62
Spill Response Plans	63
Environmental Best Practices	64
Asset and technology innovation	70
Saipem's fleet at a glance	70
The new pipelaying vessel CastorOne	70
Technology innovation	72

annexes

Methodology	76
Global Reporting Initiative index	77
Glossary	79
Assurance statement	82
More on Saipem	84

All pictures included in this report have been realised by Saipem's people from all over the world. It is only a small sample of hundreds of pictures received for the Saipem 2009 Sustainability photographic award.

letter from the ceo



Pietro Franco Tali
Chief Executive Officer

making the difference

I am pleased to introduce the 2009 Saipem Sustainability Report. This document describes our efforts to operate responsibly in a year of marked economic turmoil.

The timing of the impacts of both recession and recovery on oil companies and oil service companies are quite different. In 2009 the fall in oil and gas prices had a direct and immediate impact on the profits of the oil companies. Oil services companies by contrast, had a good 2009, mainly because they were executing work contracted in the strong market of the previous years. In 2009 Saipem's Revenues and Net Profit showed slight increases, with respect to the record results of 2008.

In 2010 the fortunes of oil companies and oil service companies are again likely to be reversed, this time to the detriment of oil services. The stabilising oil price will likely lead to a rebound in oil company profits, but the reduction in oil company capex during 2009 has led to less work and more competition in oil services, and implies that 2010 will be a more challenging year for our peers.

Saipem's performance however, will probably be somewhat different to that of the oil service industry as a whole. This is because in 2009, in addition to achieving good financial results, we have also been successful in winning new contracts so that our **backlog has remained close to record levels**. This is an important advantage for Saipem.

During 2009, through our operational and staff functions, we have identified ways to become more **efficient** and **cost effective**, continuing to **improve our performance**, while **further strengthening our asset base for the future**. Looking at our human resources, our most important 'asset', I am particularly glad that we have achieved this without laying off people. On the contrary, we plan to continue to grow and develop our people's talent in the future.

The current economic context has provided further evidence of the effectiveness of our **local content** strategy, which includes maximising our own local people, creating opportunities for local suppliers and contributing to local economic development. This brings numerous advantages to Saipem and to local communities where we operate, generating wealth and developing human capital. The promotion of local content is also crucial to **executing projects successfully**, often in difficult and unstable socio-economic conditions, while reinforcing our **long-standing and deep-rooted presence in communities** in several parts of the world. This 2009 Report clearly highlights our innovative and distinctive approach in this area.

Health and safety is a fundamental concern, both for myself and the Company. The Leadership in Safety Program continues to be successfully disseminated throughout the organisation. It is becoming a part of the Saipem way of doing things, implying a fundamental change in our HSE culture, and leading to a sustained improvement in safety performance.

This Report covers both the challenges we face and the progress we have made in achieving business goals while meeting the needs of different stakeholders and making a contribution to sustainable development. I hope you will find it informative and interesting.

how to read this report

The Saipem Group's Sustainability Report, of which this is the fourth edition, is the company's principal management and communication tool for reporting to its stakeholders.

The Report is an expression of a formal commitment made by Saipem and declared in its Mission and **Sustainability Policy**, which translates out to a *modus operandi* in which the company's economic and business decisions are complemented by the assumption of a responsibility with regard to the social and environmental aspects of its activities.

The non-financial information provided in this document is to be considered an integral part of the primarily economic-financial information set out in the Company's consolidated Financial Statements.

Performance is reported using qualitative and quantitative indicators, defined and updated to take into account stakeholder expectations and the specific nature of Saipem's business, as well as discussions of significant topics and activities.

The fact that this Sustainability Report has been **approved by Saipem's Board of Directors** at the same time as the Financial Statements is the result of a goal the company set itself (and which has now been fully achieved and firmly consolidated) to align the timeframe of the report's preparation with that of the annual Financial Statement, in order to enable it to report to all its stakeholders at the same time on the financial, social and environmental results and performance achieved.

sustainability multi-channel communication approach

Pursuing a consistent commitment to prompt and transparent reporting that can be easily used by all types of stakeholder, Saipem has, as of 2009, made a further advance in its approach to sustainability reporting by providing other channels of communication in addition to the Sustainability Report. Saipem's new corporate **website** in fact contains a completely redesigned Sustainability section that complements the Sustainability Report, providing special in-depth reports on a number of subjects together with detailed descriptions of the management systems in place.

In 2009, the **Country Case Studies** were updated and new **Project Case Studies** published. These are 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 in the sustainability issues. They are designed primarily to provide a dialogue with local stakeholders.

The Sustainability Report's new structure takes into account the complexity of Saipem's business and focuses on and describes the key aspects that have characterised the sustainability effort during the year, illustrating key activities and best practice achievements. The Report describes Saipem and its relationship with the local areas and local communities, the systems in place for protecting the environment and

LOCAL CONTENT

Maximising local content, in terms of employment and supplies, is one of the main features of Saipem's business philosophy. This Report, and the other Saipem's sustainability communication tools, particularly highlight Saipem's distinctive and focused commitment to the promotion of Local Content.

where in the report

Nine *country focus* under the section 'Our distinctive approach: promoting local content' (from page 12), give detailed information on the 2009 performance on this issue for some of the most important countries of activities.

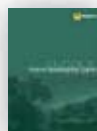
to learn more on the web



Dedicated page on [local content](#) in Sustainability section.



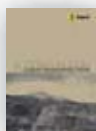
case studies



Angola



Asia-Pacific



Azerbaijan



Egypt



Ersai



Oman



Peru

biodiversity, the dialogue with local stakeholders, highlighting in particular its distinctive commitment to the promotion of Local Content. The first section of this Report – ‘Our distinctive approach: promoting local content’ – gives an overview of activity in some of the countries where Saipem has a long-standing presence, highlighting examples of relationships with stakeholders at local level. The following chapters then describe the activities and results Saipem has achieved in 2009, also concerning relations with its main stakeholders at Group level. For further information and specific details on the material below, please refer to the ‘Contact details’ shown in the section of the website (<http://www.saipem.it>) dedicated to Sustainability.

GOVERNANCE

Describes how Saipem conducts its business, in accordance with its business principles and the Code of Ethics, and how the sustainability commitments is integrated into business processes. The Company's approach to stakeholders' engagement and corporate governance are also described.

where in the report

Brief description of Saipem's Governance Model, Code of Ethics and internal audit function in the chapter 'Sustainability as a core company value' (from page 38).

to learn more on the web



Reference documentation on: [Corporate Governance](#); [Board of Directors](#); [231 Model](#); [Code of Ethics](#); [Control system \(Audit Committee, Compensation Committee, Compliance Committee\)](#).

INNOVATION

In the continuing quest of designing and building modern, cost-effective and sustainable new investments for Saipem's customers world-wide, the Technology Innovation in Saipem plays an important role, hereby described with examples and significant cases.

where in the report

The chapter 'Asset and technology innovation' (from page 70) gives a brief description of Saipem's activities implemented in the year for the research and development on its assets. Focus on the development of new vessels.

to learn more on the web



Overview on the [Technology Innovation](#) and the services provided for the [renewable energies](#).

OUR PEOPLE

Saipem is committed to provide and maintain a healthy, safe and secure working environment for all its people. This section describes also our employment practices, training and development programs.

where in the report

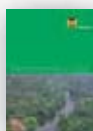
Details on the 2009 main initiatives performed and related statistics in the 'People management in Saipem's world' (from page 50) chapter.

to learn more on the web

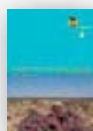


Description of people, security, health and safety management under the section [Our People](#) in Sustainability section.

case studies



Nigeria



Kazakhstan

ENVIRONMENT

How Saipem manages its environmental risks and potential impacts and the actions implemented for protection of environment and biodiversity. Detailed description of best practices implemented across the life cycle of its operations are also included.

where in the report

Details on the 2009 main initiatives performed and related statistics in the chapter 'Action for environmental preservation' (from page 62).

to learn more on the web



Full description of Saipem's [Environmental Management](#) system; its commitment and practices for the [Protection of the environment](#); overview on the [Environmental Services](#) provided by the Company.

case studies



Australia

saipem, the turnkey contractor of the oil and gas industry

Offshore

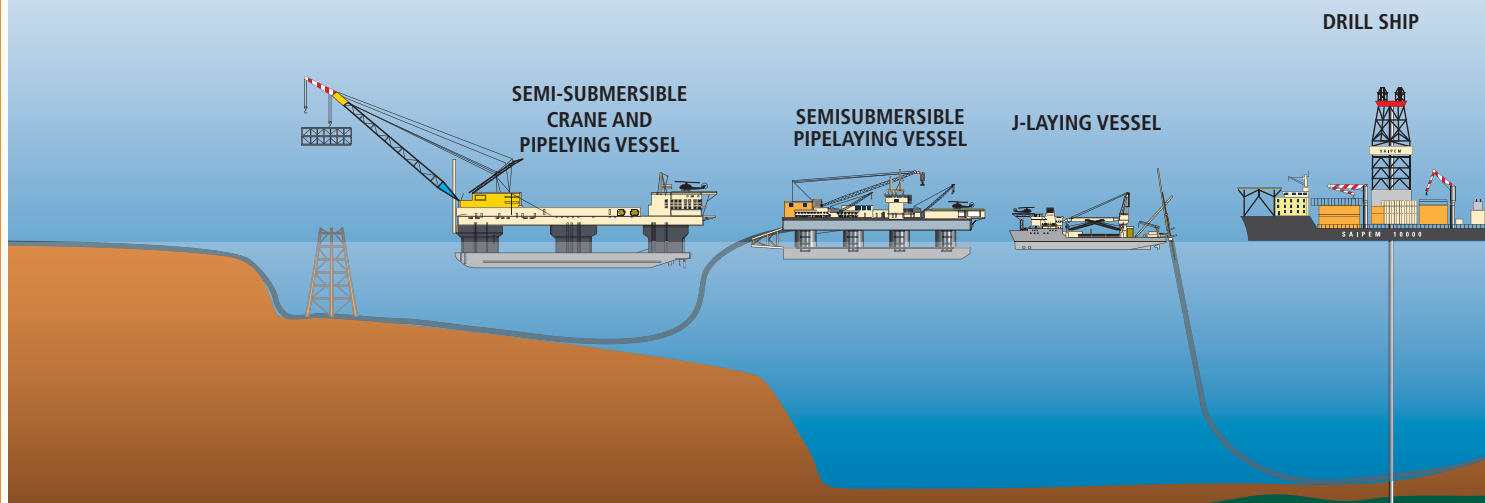
Saipem's pioneering work in pipeline installation (a total of 28,000 km laid since late 1950s) is matched by its experience in installing offshore platforms, in which it has mastered both the heavy lift and the float-over techniques. Saipem has now evolved into an integrated EPCI contractor, having completed some 120 offshore construction projects over the last ten years, including groundbreaking achievements from complex deepwater developments to major trunk line systems. FPSO (Floating Production Storage and Offloading) units are also part of Saipem's offshore line of products, both as new-built delivered turnkey to the customer, and as tanker conversions leased to and operated for the customer, as well as marine terminals and conventional buoy moorings.

Saipem owns a strong, technologically advanced and highly-versatile fleet (including 28 construction vessels and FPSO), and world class engineering and project management expertise.

Saipem capabilities are also supported by significant fabrication capabilities based at the core of major oil and gas provinces (Angola, Azerbaijan, Congo, Kazakhstan, Nigeria, UAE, Mediterranean Sea and Indonesia), with a potential of fabrication of 130,000 tonnes per year. These unique capabilities and competences, together with a long-standing presence in strategic frontier markets, represent an industrial model that is particularly well suited to EPIC (Engineering, Procurement, Installation, Construction) projects.

Drilling

Saipem vast experience in managing drilling activities, associated with an adequate technological and operational level, have progressively developed the Company's actual capabilities. Over many decades of performance, Saipem has drilled over 7,100 wells, 1,750 of which



2009 key figures

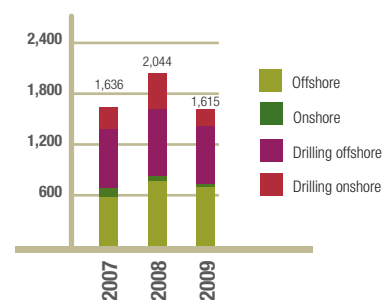
work performed

- Laying of more than **1,000** km of pipelines offshore and **716** km onshore.
- Installation of **62,333** tonnes of plants and equipments offshore and **76,543** tonnes onshore.
- Drilling of **54** wells offshore and **241** wells onshore, totalling approximately **858,804** metres drilled.

key financial results

- Operating revenues **€10.3** billion.
- Operating margin **€1.6** billion, **+11.1%** compared to 2008.
- Operating profit **€1.16** billion, **+6.7%** compared to 2008.

investments, trend 2007-2009 (€ million)



have been offshore, totalling an overall depth of about 17.8 million metres. Offshore, Saipem operates both in shallow and deep water using jack-ups, semi-submersible units, a tender assisted drilling vessel and a drill ship. For Onshore, Saipem operates with around 100 Rigs self-owned.

Onshore

Saipem offers a complete range of services, from feasibility and front-end studies to design, engineering, procurement, and field construction, most often on an EPC contractual basis, for complex oil & gas facilities, including production, treatment, liquefaction, refining and petrochemical plants, pipelines, pumping and compression stations and terminals.

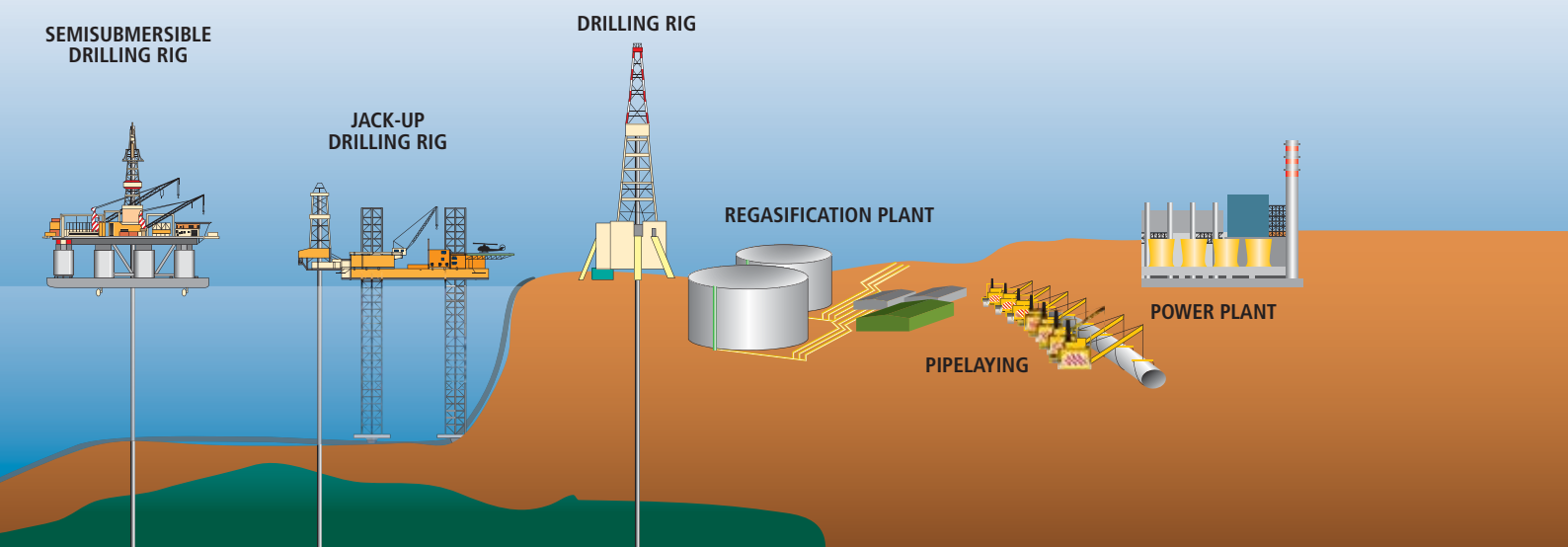
Saipem's expertise focuses on the execution of large projects with a high degree of complexity in terms of engineering, technology and operations, with a strong bias towards challenging projects in difficult environments and remote areas.

Land pipeline design and construction has historically been one of the mainstays of Saipem business. The Company has laid a record of 100,000 km of pipelines on five continents.

Saipem Group has designed and built 37 grass-roots refineries, more than 500 process units and more than 400 plants worldwide to produce chemicals from natural gas.

In recent years, the Company has designed and constructed more than 40 power plants and four Integrated Gasification Combined Cycle plants, two of which are the world's largest, with a power output of about 550 MW each.

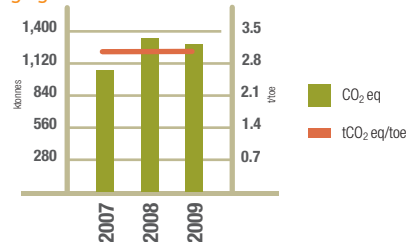
Saipem plays also a significant role in the design and execution of a large-scale civil infrastructure projects and also offers integrated environmental remediation services, such as those relating to soil and ground water and contaminated sites.



environmental performance

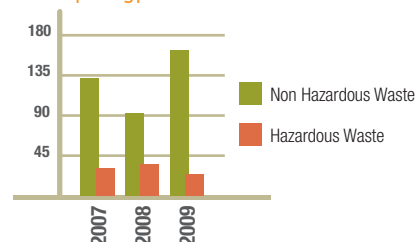
- 473 thousand toe of energy consumed (compared to 471 thousand toe in 2008), of which 76.7% for consumption of diesel.

ghg emissions



- Reduction of 25% in water consumption (5.5 million m³) compared to 2008 results.
- 99 spills were reported (263 in 2008), 94 being oil spills (of which 14 more than 100 litres), while 5 being chemical spills.

waste per type

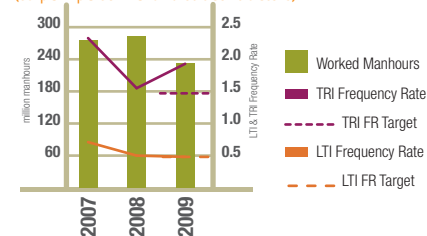


people

- 38,052 people, from 114 nationalities, of which 85% are locally employed.

safety performance

(saipem personnel and subcontractors)



saipem's world at a glance

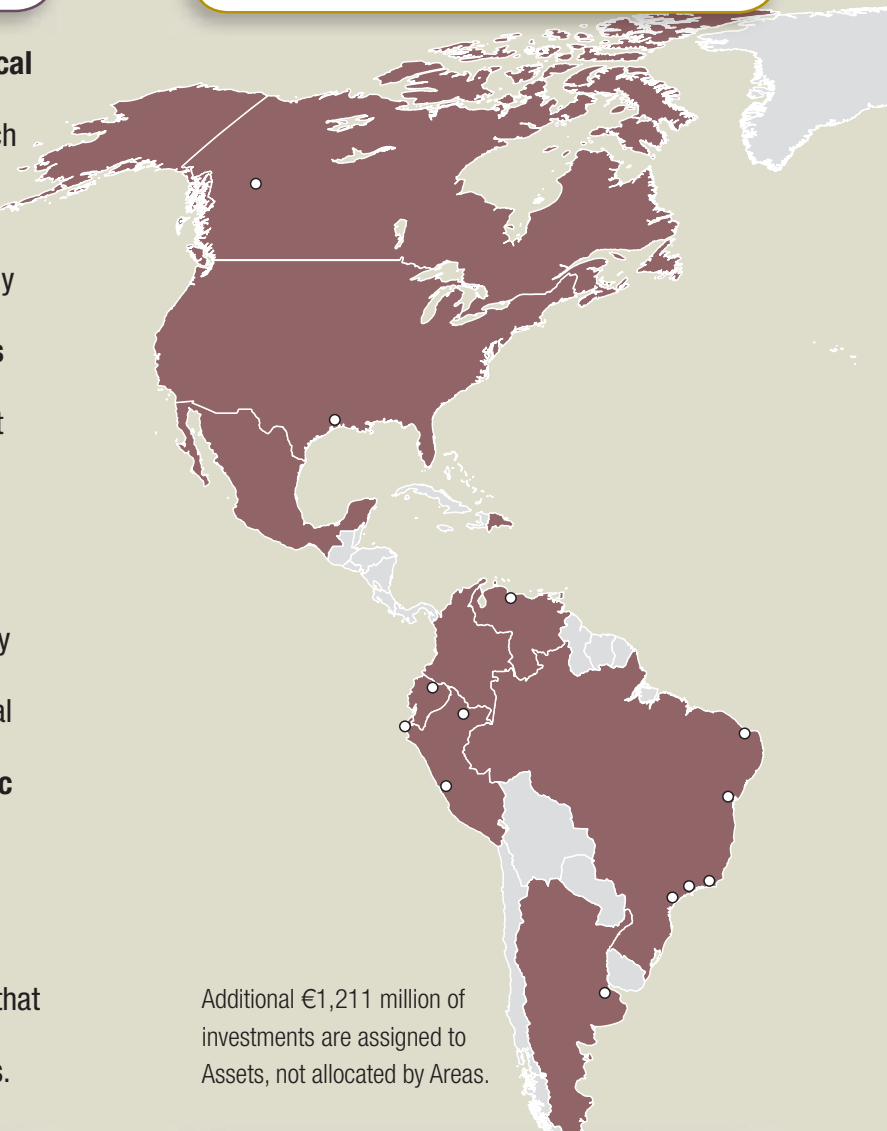
REST OF EUROPE

Revenues	(€ million)	860
Investments	(€ million)	11
Workforce	(units)	4,220
Local workforce	(units)	3,417
Energy consumption	(toe)	55,930
HSE training	(hours)	28,602

ITALY

Revenues	(€ million)	1,139
Investments	(€ million)	106
Workforce	(units)	5,853
Local workforce	(units)	5,174
Energy consumption	(toe)	17,021
HSE training	(hours)	247,367

Saipem is a **global contractor**, with strong **local presence** in strategic and emerging areas such as West Africa, North Africa, CIS, Central Asia, Middle East, and South East Asia. The Company ability to develop the projects in **remote areas** in the most important oil and gas development provinces is achieved through a solid network of project supports activities built on three fundamental core competencies. The capability to establish **strong connections** between local and corporate engineering, **worldwide logistic support** for personnel, assets and project materials and, finally, a recognised capacity to **locally manage** the wide ranging challenges that have to be faced in these developing countries.



Additional €1,211 million of investments are assigned to Assets, not allocated by Areas.

AMERICAS

Revenues	(€ million)	598
Investments	(€ million)	45
Workforce	(units)	5,218
Local workforce	(units)	4,138
Energy consumption	(toe)	157,889
HSE training	(hours)	113,346

WEST AFRICA

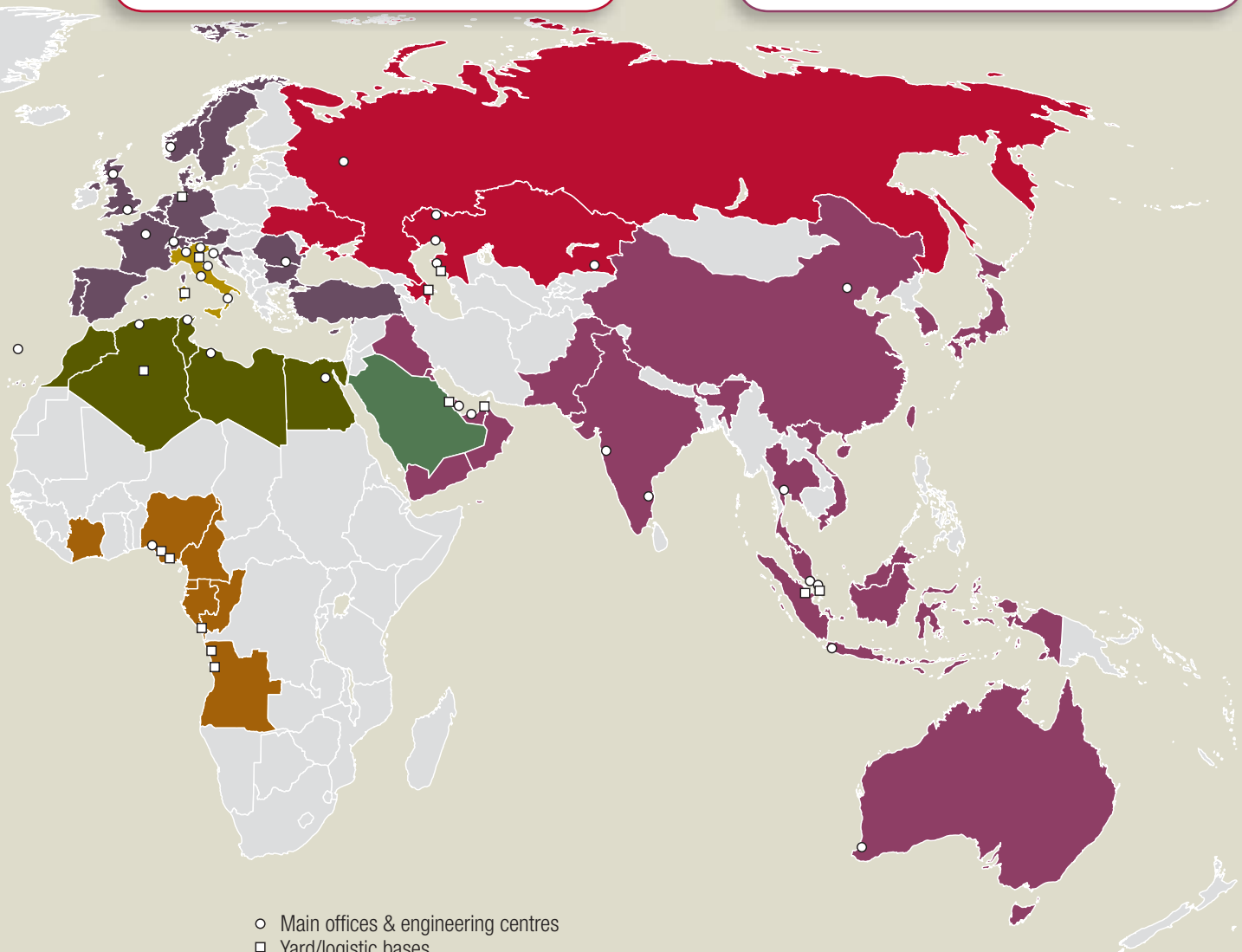
Revenues	(€ million)	2,315
Investments	(€ million)	61
Workforce	(units)	8,160
Local workforce	(units)	5,685
Energy consumption	(toe)	63,411
HSE training	(hours)	148,707

CIS

Revenues	(€ million)	1,186
Investments	(€ million)	95
Workforce	(units)	5,603
Local workforce	(units)	4,011
Energy consumption	(toe)	34,220
HSE training	(hours)	131,206

ASIA-PACIFIC

Revenues	(€ million)	1,534
Investments	(€ million)	74
Workforce	(units)	3,925
Local workforce	(units)	2,591
Energy consumption	(toe)	65,054
HSE training	(hours)	94,297



- Main offices & engineering centres
- Yard/logistic bases

NORTH AFRICA

Revenues	(€ million)	1,791
Investments	(€ million)	4
Workforce	(units)	1,749
Local workforce	(units)	1,210
Energy consumption	(toe)	32,766
HSE training	(hours)	45,258

SAUDI ARABIA

Revenues	(€ million)	869
Investments	(€ million)	8
Workforce	(units)	3,324
Local workforce	(units)	3,197
Energy consumption	(toe)	47,402
HSE training	(hours)	50,112

For Saipem Local Content means the development of local skills and know-how transfer, strengthen local manpower and local entrepreneurship through its business. Maximising local content – in terms of employment and supplies – is one of the main features of Saipem's business philosophy.



our distinctive approach:



promoting local content

integrated into the local context through our business

Saipem plays an important role in the economic development and welfare of local communities because of its size and the significance of its activities.

Saipem works in complex contexts where it needs to be aware of the challenges of sustainable development and the need to take into consideration the interests of its stakeholders – those with a legitimate interest in the business. It is therefore important to define clear policies, values and responsibilities, along with a clear sustainable business approach that contributes to a better future for everybody.

‘Local content’ is central to this process. For Saipem, the promotion of ‘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 suppliers and subcontractors and creating socio-economic value for the community.**

From the outset, Saipem has always applied a comprehensive local content approach, aware that this is key to the success of its activities.

This business model has been shown to have several advantages, while there are still difficulties that vary according to the Countries where Saipem operates.

The local content approach has generated numerous advantages for Saipem. These include an improvement in the quality of local employment through training and transfer of know-how – with a consequent reduction in the use of expatriate workers and consequently a reduction of internal costs. Favouring local content also improves relations with local communities.

Indeed, the provision of working opportunities has helped to improve the perception of the company in local communities. It gives them better knowledge of what the company does and how it contributes to the well-being of local people, creating the conditions for a climate of mutual trust and guaranteeing its ‘licence to operate’.

This approach, emphasising local content, has contributed to reduced HSE risks and incidents due to increased training and awareness among local employees.

Saipem’s local content approach has also positive effects on local communities, including:

- creating economic value by directly employing local people;
- contributing to local economic growth by promoting the use of local suppliers and subcontractors;
- contributing social benefits, in terms of know-how and competences among local employees, which can increase their value in the labour market, and among local manufacturers and service providers, improving their technological and managerial expertise;
- generating positive indirect effects for the social stability and wellbeing of local population through the benefits of employment and increasing economic value.

our long-standing deep-rooted presence

As a contractor for the oil and gas industries, the nature of Saipem's presence in an area or a site varies according to the type of activity conducted and the type of project requested by the customer.

Saipem's presence in local communities takes two main forms: first, a long-term presence where Saipem has construction yards or other fixed facilities; and second, a mid-term or short-term presence in locations where Saipem is working on specific projects following the specific requirements of the client.

Saipem's engagement with local communities depends on whether the presence is long-term or short-term as indicated in the table below.

different saipem sustainability approaches for long-term and short-term presence in a site



Long-term presence.

Medium/short-term presence.

Direct contact with local communities.

Interaction with local communities coordinated in collaboration with clients and/or partners.

Formal long-term commitment for local content in daily work by hiring local employees and using local vendors.

Flexibility to adapt the work to different local contexts, applying local or customers' requirements.

Long-term investment for socio-economic development in collaboration with local stakeholders.

Initiatives for socio-economic development carried out mainly in accordance with customers' requirements.

Engagement with local communities carried out directly by Saipem with a long-lasting and structured approach.

Engagement with local communities and authorities mainly carried out by the customers, while Saipem participates in the implementation of the activities.

round-table with saipem's business units coos

local content in saipem business strategy



*Giuseppe Caselli,
Drilling BU Chief Operating Officer*



*Yves Inbona,
Offshore BU Chief Operating Officer*



*Pietro Varone,
Onshore BU Chief Operating Officer*

G.C.: For a Company like Saipem, with a strong decentralised structure and a multicultural organisation, a focus on local content is an important **way to respond to the complex and changing requests** of our clients. As we see it, it is impossible to separate the concept of doing business from that of working responsibly and contributing to socio-economic development by using a large local workforce and enabling those employees to become well-qualified. The way that we fulfil the request to contribute to capacity building is by promoting and maximising local content, not only in terms of the number of people employed but especially in terms of the **know-how** that is transferred to them as we maximise our use of **local suppliers** and **local subcontractors**.


Y.I.: Offshore operations can seem distant from the idea of local content, but this is a common misperception that I would like to modify. Given that **offshore operations** are integrated into a complex value chain, they can very often be an **indirect trigger for deep changes** in the economic and industrial configuration of a region.

In case of integrated engineering and construction projects, the company works as a complex organisation of different but linked businesses. The supply of materials and equipment and the construction of modules and other structures for offshore activities are often co-ordinated by our fabrication yards and logistic bases. The high level of technology required in offshore operations provides a basis from which to improve the quality of our suppliers, especially at local level. Most of the time the offshore business is the last phase of an economic mechanism that can bring about a huge change in the socio-economic context.

P.V.: In relation to the Onshore business unit, we cannot forget some of the recent great changes in the oil and gas markets, primarily the migration of many investments from developed to developing countries, to new hydrocarbon-producing countries in the upstream and to new products and fuel consumers in the downstream. As this process evolves, the role of the National Oil Companies (NOCs) is growing, whilst the International Oil Companies (IOCs) have to work hard to keep their positions. As a result, the profile of Saipem's clients is evolving, particularly in the onshore business, where the **percentage** of our business that comes from **NOCs** grew from 50% to almost **90%** in just a couple of years. And the **need for 'local content'** is consequently **growing** very quickly, particularly in those countries where the demographic trend requires job creation on a massive scale. Let's remember that in some of these countries the average age is under 30! Long-lasting and sustainable investment is becoming more and more important, indeed essential – in areas such as employing the local workforce, building local engineering, construction and project execution capabilities and transferring know-how. These commitments are sometimes required by local laws and/or contractual terms (i.e. regulations that govern the number of expatriate permits issued or the required level of local content). At other times they are just advisable, but in both cases they are elements of a very clear trend.

G.C.: In this context, 'Sustainability Talent' perfectly summarises Saipem's approach toward local content and, more in general, toward sustainability. This is not a well-constructed 'motto' but is the expression of a **natural attitude** in Saipem that describes a comprehensive **way of doing business** covering all the aspects of our work, from environmental management to safety and health care.

Y.I.: When I participate in the discussion about our sustainability programs and initiatives I am sometimes quite surprised to see how close many of them are to our business priorities and how many of these issues are 'cross cutting' ones that affect the way we manage the



company across different projects and achieve results. Our clients now ask for even greater reliability in our capacity to operate in areas where they have license and production sharing agreements. As a contractor and as a local content-oriented company we know there are a number of cards that need to be played to run a successful business. To be able to **deliver within tight and challenging contract terms** is our particular strength and local content is at the basis of this approach. Our local content must be relevant from both quantity and quality point of views.

P.V.: Due to our 'good neighbour' attitude, Saipem has been able, for a long time, to maximise local content. This has enabled us to satisfy our clients in project execution, cost and risk reduction by means of our ability and experience, especially in 'frontier environments'. This has become a **win-win strategy** in countries where we have developed a stable presence, starting with the formation of **local companies** in Nigeria in 1967, and in Saudi Arabia in 1976, followed by many others. Saipem's local companies support project execution by providing growing proportions of the overall project design and management, prefabrication of complex plant sections and procurement assistance, as well as by maintaining our equipment. Saipem has also invested in quality and safety certification of local activities (using the standards ISO 9001, ISO 14001 and OHSAS 18001); in personnel training, medical assistance and other areas. Often this has involved employment of skilled personnel outside their home countries in other Saipem projects around the world. There is no doubt that this strategy has brought good results: Saipem today produces **more than 50% of its turnover** from countries where we have a long-term stable presence and project execution infrastructure.

G.C.: Empirical evidence of the positive effects of this approach can be found in the countries where we have a long and stable tradition. I am thinking of Peru, for example, where local content means becoming integrated with the **strong sense of identity and culture** brought to the business by our Peruvian colleagues. They are providing strong values from their own communities, in other words from their families. That's why our operating company Petrex is so committed to deliver value to its local stakeholders through the many initiatives aimed at improving the wealth and capacity of the host communities.

Y.I.: To be satisfied with our results does not mean that we stop pushing towards even more ambitious targets. Sometime the regulation or contractual prescriptions for local content are already very tight and the bar is continuously being raised. We know that is difficult to match quantity and quality and fulfil the requirements of clients and local authorities, especially in the countries where we don't have a long-established professional background. There are developing countries where historical legacies and problems need efforts and contribution such as ours if they are to be solved. I am sure that our **training capacity**, our **integration with local communities**, our **diversity management** and **informal culture** can really **make a difference** in such surroundings.

P.V.: In conclusion, the local content approach is a real **'show-but-do-not-tell' factor** – an action that speaks louder than words. It is distinguishing Saipem from what can sometimes seem a 'fashion' for sustainability. In an unstable and uncertain world, our continuity and adaptability to local contexts and cultures are not only moral imperative but also **strong drivers of competitive advantage**, today and in the future.

Algeria

The Algerian challenge

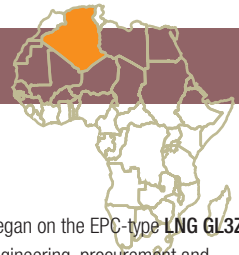
Saipem's activities in Algeria began with an onshore project in the 1960s. With this first project, and in subsequent years, Saipem's industrial model has combined top quality capabilities in engineering, project management and construction. The strategy has always been to provide additional value for Algeria's society and economy. Fundamental to fulfilling this aspiration has been the development of local content and integration between Saipem and local economic and social structures. Saipem Contracting Algérie (SCA) was created in 2005 to rationalise our activities in the country and to enhance support to the Saipem Group. SCA has grown rapidly and is now becoming a well established provider to the Algerian oil and gas contracting sector, bringing it enhanced technical expertise and valuable local knowledge.

The capabilities and skills of the locally hired personnel have proven to be of sustainable value to the SCA and will be further promoted with continuous technical programs and training. During 2009 SCA involved almost 150 employees in training activities, amounting to more than 3,000 training hours. All departments were involved in these activities, which included managerial training, technical training, technology and languages.

The programmes are designed to develop skills and know-how in response to business needs and have been developed using overseas and local sources.

Managerial training courses such as an introduction to project management, specialist management and multicultural team building have been held with the support of Eni Corporate University.

ALGERIA



Saipem Presence since: early '50s

Personnel in the Country: 1,214, of which 71% are locals

Most relevant projects: For Sonatrach, construction works began on the EPC-type **LNG GL3Z Arzew** contract, which comprises engineering, procurement and construction of a liquefaction plant and the construction of utilities, a generator set and jetty; besides, construction work began on the EPC contract, in Algeria, for the construction of infrastructure of an LPG treatment plant in the **Hassi Messaoud oil complex**. The contract comprises the engineering, procurement and construction of three LPG trains work began on the **Ammonia/Urea Arzew** EPC contract, comprising engineering, procurement and construction of a marine export terminal for a future urea/ammonia plant to be built near the Algerian city of Arzew, approximately 400 kilometres west of Algiers. Activities are being completed on the EPC-type **UBTS (Unité de Traitement du Brut et de sa Stabilisation)** project, which encompasses the engineering, procurement and construction of a crude oil treatment and stabilisation plant, comprising three trains, one maintenance unit, four stocking units and a pipeline transporting oil, water and gas. Works are being completed also on the EPC-type project **LZ2 Hassi R'mel-Arzew**, for the installation of a new LPG pipeline connecting the Hassi R'mel gas field, in central Algeria, to the oil exporting area of Arzew, located on Western Algeria's Mediterranean coast. The contract was awarded in partnership with Lead Contracting. For the onshore drilling, seven rigs operated for First Calgary Petroleum, Repsol and Groupment Sonatrach Agip.

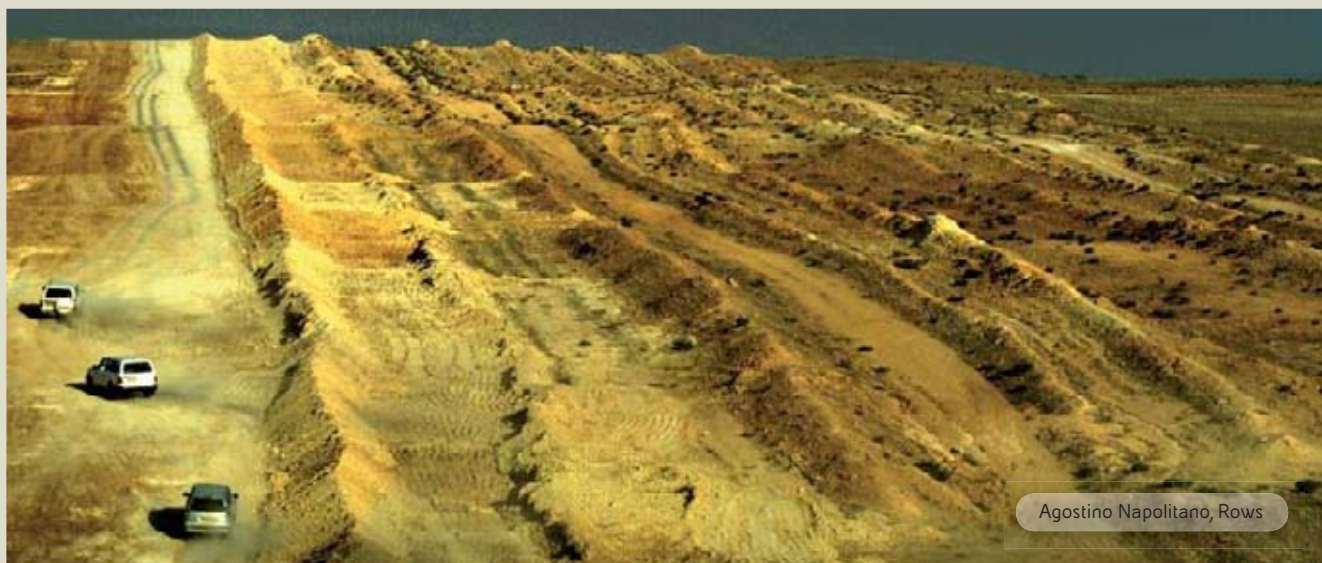
Main sites of long-term presence: Saipem works in Algeria as **Saipem Contracting Algérie SpA (SCA)**, registered in Algeria since 2005. The company head offices are located in Algiers, while an operational base is near Hassi Messaoud. Drilling activities are managed by the **Saipem Algerian branch**.

Saipem Contracting Algérie Staff and Engineering Personnel Growth



Financial performance of Saipem in Algeria

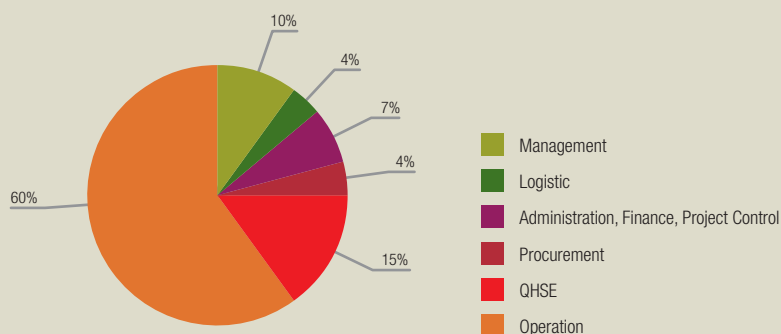
	Revenues (MDZD)	Growth	Profit (MDZD)
2008	4,199	420%	188
2009	18,666	344%	2,676



The Engineering Department had the largest percentage of people involved in training activities, the target being to develop people towards managerial positions in order to respond to the needs of SCA and its projects. One young engineer is in Milan to attend the Master in Energy and Environmental Management and Economics (MEDEA), specialising in Managing Technical Assets in Energy Industry. For the GNL3Z liquefied natural gas (LNG) project, eleven local employees attended training on the job in Milan for more than one year. Ad hoc training was developed depending on employees' different positions in the Project GNL3Z. SCA is now able to manage all the engineering disciplines of the engineering phase for the GK3 Project locally. This evidences that the SCA commitment to human capital development is bearing results.



Saipem Contracting Algérie's workforce by category (%)



ALGERIA

Saipem Technology Conference in Algeria, May 2009

In the continuing quest to foster local content, particularly in markets viewed as strategic, in May 2009 Saipem held a two day Technology Conference in Algiers, Algeria.

The conference objectives were twofold:

- Sharing Saipem's technology expertise and know-how with Sonatrach, the lead Client in Algeria, as well as to other local and international companies present in the Algerian market. This was achieved via focused and detailed presentations on all aspects of Saipem's activity in oil & gas production, the processing and transformation chain, as well as Infrastructure, Environment and Renewable Energy. In addition, time was given to case studies on safety, HSE, Total Quality and other related issues;
- Strengthening dialogue with local clients viewed as partners. Speeches by top Algerian Government and Sonatrach officials, alternated with those of Saipem's CEO and Top Management, were much appreciated, as well as numerous informal exchanges during the two days of the event.

About 150 local invitees attended, together with over 30 Saipem executive, including Messrs. Tali, Varone and Léost. Together with Sonatrach it was agreed to hold a follow-on event in a couple of years.

Angola

Our strategy: creating long-term value

Petromar's business strategy is based on creating long-term value by contributing to the development of local communities. Petromar has a long standing tradition of supporting development through local content and training at the various places where it operates in Angola.

In 2007, with the start of the Ambriz Yard rehabilitation project, Petromar decided to strengthen community relations and development, by identifying sustainable initiatives to be implemented during 2009 and 2010 in the areas of health, skills, professional training, education, environment, culture, social infrastructures and social interventions. The following activities are just some examples of initiatives that are being developed.

Health and safety promotion

With regard to health and safety promotion, Petromar's local doctors have performed socialisation, sensitisation and awareness campaigns at Ambriz local hospital. These cover basic health care precautions, food handling, malaria, HIV prevention and World Health Day campaigns. Posters and booklets are developed accordingly. Additionally, Petromar has supplied a four wheel drive car ambulance and when necessary, mechanical maintenance are provided by the Ambriz yard mechanical maintenance work shop.

Human capital development

Training and human capital development is a pillar of sustainable development. Conscious of this, Petromar has decided

to re-open its welding school at Ambriz in early 2010 to train young people as future certified welders. With the refurbishment of the school facilities underway, the selection of the candidates began. Last November 141 candidates between 16 and 22 years old passed the selection test, from which 51 have been chosen with 15 more on a waiting list in case some of the selected candidates withdraw. Welding methods will be mainly semi-automatic and TIG.

Environmental protection

Petromar will evaluate the potential impacts associated with the yard re-opening its activities and the associated mobilisation and accommodation of local workers in Ambriz reviewing and updating the

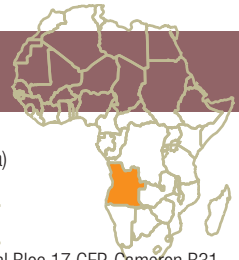
existing Environmental Impact Assessment (dated September 2008) in case of any significant issue will emerge. Studies will be carried out on infrastructure development, conservation of coasts and land and protection of biodiversity. Also specific actions and equipments needed in case of environmental emergencies such as fire or pollution of land or sea will be reviewed.

Local development

Petromar will support the development of the Grow Ambriz project promoted and headed by Saipem sa.

Prior to the civil war, the Ambriz area had a good level of agricultural organisation, but this was largely destroyed by the conflict. To help restore farming, there is a plan to

ANGOLA



Saipem Presence since:	1982 (Kwanda Suporto Logistico Lda) and 1984 (Petromar Lda)
Personnel in the Country:	2,511, of which about 52% locals
Most relevant projects:	<p>Petromar Lda: Total Bloc 2 SCP, Total Bloc 17 GEP, Cameron B31 Cameron, FMC Bloc 18 GERM, Chevron FARM, Bechtel PLNG, Chevron MTOE, FMC Plutonio, Sonangol Bloc 3 Maintenance, BP Plutonio Maintenance, Total Bloc 3 Maintenance.</p> <p>The FPSO Gimboa carried out operations on behalf of Sonangol P&P, under the contract for the provision and operation of an FPSO unit for the development of the Gimboa field, located in Block 4/05 offshore Angola, at a water depth of 700 metres.</p> <p>Saipem SpA branch: the Semi-submersible platform Scarabeo 7 operated under a three-year contract on behalf of Eni Angola.</p> <p>Saipem sa branch: Total GEP, Chevron Farm (Flare And Relief Modification).</p>
Main sites of long-term presence:	<p>Saipem is present in Angola with:</p> <ul style="list-style-type: none">- Saipem SpA Angolan branch, managing offshore drilling activities;- Saipem sa Angolan branch, managing offshore projects execution;- Petromar Lda is present in Angola through 5 locations:<ul style="list-style-type: none">• Luanda (Headquarters), Ambriz (New Yard development, 1.2 M manhours/year, first fabrication in September 2010);• Soyo (1.2 M manhours/year)• Malongo (Routine Jobs, Modifications, MTOE in Chevron Base) and Offshore (Maintenance on Bloc 3, Bloc 18);- Kwanda Suporto Logistico Lda provides services to Oil & Gas companies in Soyo yard;- Sagio - Companhia Angolana de Gestão de Instalação Offshore Lda: created in 2008, to provide Operation and Maintenance Services for the Lease contract of Gimboa FPSO for Sonangol P&P.

convert organic wastes generated by the logistics base into compost, which will be used as fertiliser for growing vegetables in a community garden. The vegetables will be sold back to the base. The project's aim is to develop local entrepreneurship and rejuvenation of the agricultural interest in the local community.

To contribute to local cultural and artistic life, Petromar is seeking local artists, painters and sculptors in the Ambriz area with a view to promoting their work, for example through temporary selling exhibitions.

Social infrastructure projects focus on the water and power distribution systems.

Situated at about 13 km from the yard, the Rio Loge pump station supplies fresh water through a pipeline to the town and the yard. Maintenance and refurbishment of the installation, including the pump station and pipeline, will be performed by Petromar to guarantee the continuation of this supply. Before being distributed to the

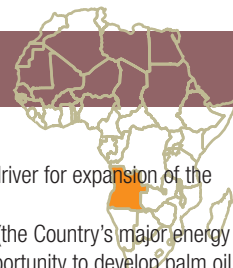


town and yard, fresh water will be run to a water treatment system plant. Maintenance and refurbishment of this plant will be performed by Petromar.

There is also a plan to supply electric power from the base camp power station to the nearby Ambriz University, Petromar will ensure the trenching, main cable feeder

installation and terminations are completed. Former employees who previously lived in Ambriz but were obliged to move to Soyo or Malongo during the civil war are being enabled to return to the city as a result of a financial contribution being provided by Petromar in the form of a zero-interest loan.

ANGOLA



'Food Plus Biodiesel' proposes in Angola a new agricultural development model in which biodiesel production is the driver for expansion of the Country's rural sector.

Promoted by Saipem and sponsored by Eni Angola, a Feasibility Study was developed in collaboration with Sonangol (the Country's major energy company) and several technical and political members of Angola's Ministry of Agriculture. The Study analysed the opportunity to develop palm oil production in various rural districts distributed evenly over the country.

The Study showed the possibility to create a total of approximately 110,000 ha of cultivations and the installation of 23 oil mills, to produce a forecasted annual quantity of about 388,500 tonnes of Crude Palm Oil at full scale capacity. 54,000 tonnes will be refined into edible oil to be sold on the internal market and the remaining amount will be transformed into greendiesel and exported primarily to Europe. The project also envisages the creation of an agro-industrial centre near the city of Ambriz, equipped with systems for the pre-treatment of oil, the bottling of edible oil and a biorefinery for the production of biodiesel. The export of greendiesel and the marketing of edible oil, which will allow the Country to reduce its dependence on the importation of edible oil, represent the driver for socio-economic development of the examined rural areas.

The agricultural development model proposed in the Study has two complementary levels of intervention: one includes the introduction of production methods and techniques to upgrade the traditional oil palm cultivations in the territory, while the other is addressed to promoting the creation of cooperatives and associations among farmers, and between farmers and oil mills, by providing microcredit specifically suited for the socio-economical situation in Angola.

The Feasibility Study points out how this system is capable of ensuring constant income and profitable farms while extinguishing the microcredit received to purchase equipment and machinery, and the advance payments for construction of the oil mill. The project also features the constitution of cooperatives and companies for the provision of services to agriculture (tenancy for mechanisation, fertiliser distributors, irrigation water management, etc.). The current profitable trend of palm oil (steady and on the increase) will generate salaries to farm labourers that are similar or comparable to those offered in other sectors (e.g. infrastructures), thus creating new job opportunities for young labourers in rural areas and preventing their migration towards the city.

Brazil


The Local Content approach in Brazil

The brief and temporary nature of projects in Brazil, has meant that Saipem's relationship with stakeholders was initially managed in a direct and project-specific way. From 2007, however, Saipem do Brasil has defined an overall strategy to invest in the potential of the areas where it operates, seeking to encourage local development and value human resources, so as to create the best conditions for its presence in the country.

A young persons' trainee program started in 2007 under the supervision of the Human Resources Department. Aimed largely at young students from low-income families, the programme provided professional training and skills acquisition. Positive results have been achieved and the young professionals have mostly been employed and fully integrated into the Saipem team. The overall sustainability strategy defined by Saipem do Brazil since 2007 is centred on the relationship with stakeholders through the creation of a dialogue with them. A Sustainability program has been devised, covering a series of initiatives to be implemented. The first is the realisation of awareness campaigns on HSE for local communities. A pilot project is under development in the area of Mossoró, where Saipem conducts drilling operations. Saipem do Brazil also supports an employees' volunteering program, aware that this helps to open dialogue between company, employees and society, creating social wellbeing and improving the quality of the company's working environment.

Over the past few years, the company has increased its participation in the Brazilian

BRAZIL



Saipem Presence since:	2002
Personnel in the Country:	536 employees, of which 438 are locals; besides 786 people worked onboard FDS and Saipem 7000
Most relevant projects:	Drilling Project in the Northeast of Brazil (8 years contract); FPSO Cidade de Vitoria carried out operations on behalf of Petrobras, as part of an eleven-year contract, on the second phase of the Golfinho field development, situated off the coast of Brazil at a water depth of 1,400 metres; FDS carried out the Uruguá Pipeline Construction, for Petrobras, in the Santos Basin off the coast of Brazil, comprising transport, installation and testing of the pipeline linking the FPSO Cidade de Santos, located in the exploratory Block BS-500, in 1,372 metres of water, to a gas platform in 172 metres of water in the Uruguá field; Saipem 7000 carried out the Mexilhão Platform installation, comprising transport and installation of a jacket, mooring piles and topsides for the PMXL-1 platform for the Mexilhão field development in the Santos basin (Client Companhia Mexilhão do Brasil).
Main sites of long-term presence:	Saipem works in Brazil as Saipem do Brasil Serviços de Petróleo Ltda in Rio de Janeiro; and Vitoria, the capital of the state of Espírito Santo, for assistance to the FPSO Cidade de Vitoria.

economy considerably and its organisational scale grew by over 700%, compared to 2006, reaching 536 employees. Brazilian employees represent over 80% of the total workforce, with a bias towards contracting workers from around the operational areas (mainly Rio de Janeiro, Vitória and Mossoró). Saipem is aware that a close relationship

between customers and suppliers is required, to maintain a relevant role in the market. Continuous improvement of this relationship is the basis of a high operating capacity. Therefore, in its operations in Brazil, Saipem always uses a proactive approach, with programs aimed at enabling suppliers to meet the most advanced demands of its operations.



Gil Geida, At dusk

BRAZIL



Interview with Luis Cesar Stano, SMS (Safety, Environment and Health) Manager of Petrobras

Over recent years Petrobras, the Brazilian energy major, has undergone a radical transformation, redirecting its policies and actions towards greater respect for the environment and close attention to safety at work, thus making it a leader in sustainability at the international level.

In an interview some months ago, the CEO of Petrobras said that companies must lead social progress and that Petrobras is making this its commitment. In your opinion, what part do subcontracted companies such as Saipem from Brazil have to play in this strategy?

The prominent position that Petrobras has been gaining over recent years among companies operating in the energy sector, in terms of increasing the sustainability of its business, results from a number of approaches and essential initiatives:

- Engagement and visible support of senior management in integrating socio-environmental aspects into the planning and business management processes;
- Establishing corporate policies, guidelines and standards to systematise this integration process;
- Implementing an integrated system for management/governance of social and environmental aspects of the business;
- Establishing a series of corporate indicators of the socio-environmental performance of the activities, linked to aims and objectives compatible with international standards of excellence;
- Making the entire management chain responsible for achieving these aims and objectives;
- Transparency in relations with various target sections of the public.

The chain of suppliers (of goods and services) plays an essential part in this strategy of looking for greater business sustainability, adopting two distinct approaches. Firstly, the trend is to link the socio-environmental performance of a company ever more closely to the performance of its suppliers. On the other hand, it is mainly the major companies that see in their chain of suppliers a suitable vehicle for spreading and increasing the range of their own initiatives in the socio-environmental dimension, multiplying the potential benefit of such initiatives.

In terms of environmental protection, Petrobras' strategy provides for, among other factors, the adoption of specific management tools. Moreover, it required its managers to demonstrate their own commitment towards the environment. How was this cultural change implemented?

The integrated SMS (Safety, Environment and Health) management system implemented at Petrobras is backed up by two principles that highlight the actions and attitudes of the managers: visible leadership in management and responsibility in the management structure. All managers, from the Chairman to the supervisors, have to support the Company's strategic commitment by integrating the principles

of social and environmental responsibility into the business planning and management processes. And they have to ensure that such support is visible to the entire workforce. For example, one of the practices adopted with this objective promotes the participation of the Chairman, directors and executive managers and other leaders of behavioural audits conducted in the field, together with the workforce. Line managers are also responsible for SMS performance in the areas that they manage and they are covered by this performance, thereby trying to ensure integration between business management and management of the SMS aspects of this same business, in line with the Company's strategic vision.

How does Petrobras see the development of the energy market in Brazil, both with regard to oil and gas, and the development of alternative energy sources?

Petrobras expects that, at least over the next 20 years, oil will continue to have a key role in the world energy mix, whilst losing some participation to other energy sources, mainly if financial or regulatory restrictions on the use of fossil fuels, which have already been indicated by a number of countries, materialise and spread. The peculiar characteristics of the energy mix in Brazil, which includes a much greater percentage of energy from renewable sources than that of other countries, result in the fact that an analysis of developments in the energy market in Brazil are also differentiated compared with international practices.

The relatively low share of fossil fuels in the energy mix consumed in Brazil can, on the one hand, make an increase in the use of these products less questionable, whilst on the other hand the 'cleanliness' of the energy mix in Brazil tends to be seen as a competitive advantage for the country, mainly in the light of a world scenario of restrictions on carbon emissions. An increase in the share of fossil fuels in the energy mix could reduce this advantage.

In any case, Petrobras forecasts in its 2020 Strategic Plan a sharp rise in the production and consumption of oil in Brazil. The Business Plan for 2009 to 2013 expects that Petrobras will be producing some 3.92 million barrels of oil per day in 2020 (111% rise compared with 2008). At the same time, it is expected that consumption of petroleum products on the Brazilian market will grow by 48% over this same period.

Notwithstanding this prospect for growth in demand for oil and petroleum products, Petrobras believes that there will be a major diversification in the future fuel market, with a growing share of renewable or less carbon-intensive products. Thus, the Company is working with a growth forecast in the order of 133% in demand for natural gas, also over the period 2008-2020.

Finally, with regard to bio fuels, a sharp rise in consumption of bio-diesel is forecast, depending also on the legal obligation to mix 5% of the product in all diesel sold in the country as from 2013. It is estimated that bio-diesel consumption will grow by approximately 93% over the period 2009-2013.

[For further information, visit the Petrobras website (www.petrobras.com.br) and follow the sequence of links: Investors – Petrobras Overview – Corporate Strategy – Business Plan 2009-2013].

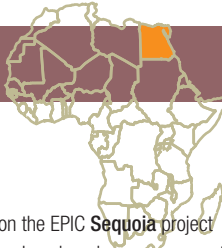
Egypt

Sequoia Joint development Project

Developing local employees and contractors has been an integral part of the Sequoia Joint Development Project. The project is developing a deep water field, located 120 km offshore Egypt in the Mediterranean Sea at a depth between 119 and 600 metres, bringing into production six gas wells and connecting to existing underwater facilities in the West Delta Deep Marine and Rosetta Concessions. The Sequoia Project was carried out from April 2008 until August 2009 for the Burullus Gas Co, a joint venture between British Gas, Petronas and the Egyptian state oil company EGPC. Building on the experience of the West Delta

Deep Marine Phase IV Project, conducted in 2007-2008, the Sequoia Project has recognised the crucial importance of applying a sustainable approach in Egypt, aware of the competitive advantage that sustaining the local market can bring to

Saipem both over the lifetime of the current project and in a long-term perspective. Eight young Egyptian engineers have been selected and employed directly on the project. They have undergone a development program consisting of training



Saipem Presence since:	around 1960
Personnel in the Country:	329, of which about 90% locals
Most relevant projects:	Installation activities were completed on the EPIC Sequoia project for Burullus Gas Co, which encompassed engineering, procurement, installation and commissioning of the subsea development system for the Sequoia field. The semi-submersible platform Scarabeo 4 , is following the completion of class reinstatement works, operated for IEOC. The semi-submersible platform Scarabeo 6 continued drilling operations on behalf of Burullus Gas Co. The jack-ups Perro Negro 4 and Perro Negro 5 , continued operations on behalf of, respectively, Petrobel and Saudi Aramco.
Main sites of long-term presence:	Saipem Misr for Petroleum Services (S.A.E.) located in Cairo for the offshore drilling activities.

Interview with Hany Dahy Chairman & CEO Petrojet

The Petroleum Projects and Technical Consultations Company (Petrojet) is an Egyptian multidisciplinary integrated Construction Contractor offering services related to the Oil, Gas, Petrochemical & Industrial Sectors in Egypt and the Middle East.

In which projects Saipem and Petrojet have cooperated in Egypt?

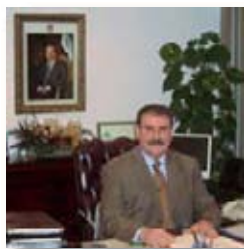
'Petrojet has worked together with Saipem as subcontractor for the construction phase of the two projects: the West Delta Deep Marine Phase IV Project and Sequoia Joint Development Project.

The cooperation has been successful with the creation of a joint team from the two Companies that worked together on the construction site in the Petrojet fabrication yard.

Working together side by side has helped to solve the problems in real time, when they emerged, avoiding losing time and guaranteeing the respect of the already tight timing of the project.'

Does this cooperation improve your way of working and know how?

'From a technical point of view, this cooperation helped to improve our knowledge, gaining further expertise in the construction of subsea structures, which were realised in our workshops in the fabrication yard, in accordance with the technical specifications and quality control procedures defined by Saipem.'



What the relevance of safety in the execution of the works?

'Safety comes first in Petrojet. This approach was strongly appreciated by Saipem, being in line with its strategy and mission.

Saipem and its client Burullus proposed to Petrojet the introduction of a 'Safety Incentive Scheme', to further strengthen a safety culture in the team working for Saipem project. This was successfully implemented, with good results in term of safe worked man hours.

This 'good example' created also an induced effect for all our workers that were employed in other projects, with overall excellent results in term of safety in the fabrication yard.

Besides, both our senior management and our supervisors were invited to take part to the Leadership in Safety (LiS) workshop, organised by Saipem. All participants were enthusiastic of the event, focused on changing the culture of safety in the company.'

How the cooperation with Saipem influences your market perspective and business?

'Saipem, together with the final client Burullus, has recognised the successful cooperation, the quality of the products and the good safety standards maintained as reported in the certification issued at the end of the two projects. These good recognitions are always an important element and a 'business card' to present our Company on the market and improve our business opportunities.'

on-the-job as well as internal and external courses. A tailored development path has been identified for all engineers.

At the beginning, the local engineers were located in Saipem Misr offices in Cairo where they received a company and project induction. Subsequently they followed the engineering phase, where each of them was assigned to a part of the project which they have followed through the chain from engineering to installation, and fabrication. After the engineering phase, the engineers worked for a period in the fabrication yard to be directly involved in the fabrication of the items engineered. In the offshore phase, they worked onboard the vessels so that they were able to follow directly the offshore operations. All these phases were under tutorship of expert Saipem staff. In addition to training on the job, specific courses have been provided to the local engineers, focusing on technical managerial training: offshore pipelines, project management,

problem solving, team work, Leadership in Safety, tenders and contract management, contract administration and quality.

Developing a partnership with local subcontractors

The fabrication activities In Egypt have been performed by Petrojet, an Egyptian company specialising in construction of onshore and offshore facilities for the oil and gas sector. Collaboration with this subcontractor had already started with the West Delta Deep Marine Ph. IV Project, and has continued during the Sequoia Project. Saipem contributed extensively to the training of the subcontractor and the results were evident during the work, with fabrication activities performed excellently, in terms of quality, safety and keeping to schedule. In particular, Saipem focused on safety, looking to increase the safety awareness of the subcontractor's workforce

and in general to ensure a safely undertaken project. Saipem provided training to selected supervisors in basic safety practices and requirements for the hazardous tasks they would be involved in. These include working at height, risk assessment, firefighting, first aid, safe driving, lifting, electrical work and hand safety. Furthermore, the Saipem LiS workshop was offered to the subcontractor, and all its supervisors participated, with positive feedback. Finally, a 'safety incentive scheme' has been implemented for the subcontractor's employees, with monthly awards to those that demonstrate an exceptional safety-oriented attitude. The experience of working together as equal partners showed how many potential problems in a client-contractor relationship can be avoided. This equal partnership method of driving the HSE activities also generated a maximum buy-in to the HSE programme at the facility by management, supervision and, especially, the workers.

EGYPT

Interview with Islam Elnahas, 26 years, Bsc. Mechanical Engineering and Diploma in Project Management, Alexandria, Egypt

What were your expectations in joining Saipem and what did you find?

'I was looking for greater challenges and discovered much more. Saipem has a motivational environment since the atmosphere is welcoming and supportive. A new employee will have the chance to perform in a positive manner, both at personal and company level. This working environment fosters the exchange of ideas and opinions, enabling us to continue delivering service that exceeds the client expectations. Everyday is a new learning experience, attained through the interaction with peers, clients and other external stakeholders. This positive environment has paved the way to learn, grow and truly belong to the culture of success'.

Did you have any difficulties at the beginning?

'Subsea Construction projects were a new challenge for me, since they introduce different technologies and techniques. I had to redirect my personal skills and, with the help of other colleagues, to understand this new scope of work. The people I have worked with have always provided me with support and advice. Team effort coupled with the interesting scope of work meant that coming to work is always a pleasant thing to do. The nature and diversity of Saipem projects has allowed me to develop my own path. There is nothing stereotypical about the career route of a Saipem employee. One thing that is consistent however is the effort



Saipem puts into ensuring all staff has every opportunity to develop.

What activities and projects were assigned to you?

'I joined Saipem in July 2008. I expected flexibility when I joined the scheme, but I was amazed by all the opportunities that were represented by all the different areas of the business. My first assignment was working as Planning Engineer as a part of the Project Controls team located at the subcontractor fabrication yard for Sequoia project. From the outset I played a crucial role, being heavily involved in the fabrication activities undertaken by the subcontractor. I divided my time between follow up of the fabrication activities in the yard and analysing the critical areas in which the project can accelerate ahead of schedule. The project had a tight schedule which required fast pace on site. I also took great satisfaction in seeing a project completed.'

Do you think you have changed from when you first arrived in Saipem and, if so, in what way?

'Working at Saipem has definitely changed me due to working in a multicultural environment that enriches my personal and professional skills. Working in such environment liaising with different nationalities in day to day work raised my awareness when dealing with different groups of people. Teamwork is something that is heavily valued at Saipem and really motivates me in my work. There is an extremely good working relationship between the people assigned to operations and the office staff in a relaxed and enjoyable atmosphere, but also a real sense of accomplishment that we are all working hard together to do our best for the business and the clients we serve.'



India

Indian Sourcing Project

In India Saipem has carried out a project designed to enlarge its vendor database with reliable Indian suppliers and subcontractors and develop long-term relationships with local partners whose products and services are in line with Saipem's needs and quality standards.

The project has been run from the Sourcing Centre in Chennai where great efforts have been made in scouting for potential suppliers, analysing vendor data and selecting a short list of Indian vendors. The intention is to establish long-term agreements based on continuous and mutual process improvement, sharing benefits and risks on a long-term base. Meetings and visits have been held to conduct in depth evaluations of suppliers.

A strategic agreement with Larsen & Toubro (L&T) was the first of the agreements signed in 2009 to be applied at corporate level, valid for all Saipem companies. It defines the framework for a multi-annual technical and commercial collaboration for the supply of process piping cast steel valves.

With this agreement Saipem intends to achieve two main goals:

- to cooperate in satisfying project and bid requests in terms of prices, schedules and quality standards;
- to have access to data and information on prices and market trends of strategic valves.

Another benefit of the agreement is a co-engineering approach which will provide Saipem with a strong suit in several projects. This approach means that

Saipem Presence since:	1983
Personnel in the Country:	1,194, of which about 98% locals
Most relevant projects:	The jack-up Perro Negro 3 carried out drilling and workover operations off the coast of India on behalf of GSPC (Gujarat State Petroleum Co).
Main sites of long-term presence:	Saipem India Project Ltd , at the office in Chennai, an hub with engineering capabilities, including Procurement, Construction and Project Management.

Saipem and L&T will co-operate throughout projects, during the engineering, quotation, planning and design, production and implementation phases. This will result in exchanging knowledge on procedures, methods, market knowledge and strategies in order to increase competitiveness and create a comfortable working environment. In addition to technical skills and know-how, good practice in areas such as ethics, training, HSE and sustainability will be shared and developed. Both companies will be highly motivated as revenues and effective risk management is at stake.

A specific and significant aspect of this agreement is the way in which it was built, agreed and signed through a dedicated steering committee. 'Agreement managers' were assigned to the committee from both companies, periodically meeting to discuss problems, solutions, ideas and clauses as a team. The value of these meetings was the strength they gave to the relationship and the trust they brought about between the companies. The agreement managers got to know each other, understanding how to communicate and how each company approached difficulties, technologies and change inside and outside their respective companies. The steering committee approach proved to be a very constructive way to tackle technical, organisational, financial and human issues and it is therefore going to continue through the duration of the agreement.

The project has also served to enhance the capabilities of the Chennai centre, having been developed and completed entirely by the centre's team with corporate supervision and approval.

SIP & UAE Area cooperation on commercial activities

Since 2008 Saipem India Projects (SIP) has been involved in an integration plan, aimed at aligning methodologies, tools and practices in India to corporate ones, in line with an objective set for SIP to become a complete EPC execution centre. The aim was to develop the Indian office in Chennai into a fully-fledged hub, increasing operational efficiency in a country which offers a mix of effectiveness and a wealth of human and technical resources.

A broad gap analysis was conducted to identify areas of change, improvement and new priorities. A detailed integration plan was then issued, identifying necessary actions, parties responsible for their implementation and a time schedule. An important part of the plan was to enable SIP to gain the capability to prepare estimates for the execution of EPC projects, so being able to manage the full range of EPC activity, starting from the initial proposal phase.

Engineering departments have been particularly trained in the use of

methodologies to produce the materials and their quantities needed for the construction. New competencies have been created and developed from scratch such as HSE, contracts and construction. Furthermore, existing functions such as project control and project management have been reoriented and upgraded for the new tasks.

SIP's increased operational efficiency is finding a successful application in a new operational coordination model set up with UAE Area management, located in Sharjah, to exploit future perspectives of business development in the Gulf Area. Here all commercial initiatives identified by the Middle East Onshore BU Area Manager are developed, leveraging SIP engineering production capacity.

A typical collaboration is focused on commercial tasks, with SIP performing bid engineering services (for both offshore and onshore projects) as well as providing full estimates for engineering, procurement and construction (man-hours, material quantities, costs).

The SIP-UAE Area cooperation is a good example of Saipem approach to utilising the group's extensive and integrated network. In this case it combines the group's permanent local presence in the Middle East, close to Gulf Clients, and SIP's engineering capacity provided by skilled, motivated Indian engineers who now have a strong understanding of corporate engineering.

This combination allows for local management of the wide-ranging challenges that have to be faced in project execution.

Furthermore, an additional strength of UAE Area and SIP joint cooperation is the knowledge of local suppliers and subcontractors. This leads to a commercially and technically competitive selection process to find the best local resources and give proposals strong local content.



Muthuraman Muthupandian, Survived the bruises of time

Indonesia

Karimun Fabrication Yard

The Karimun Fabrication Yard (KFY), now under construction, represents an important initiative for the development of Karimun Island. An important factor is the capacity of the yard and its team to integrate with the local society and economy and to engage with local stakeholders.

To fulfil this aspiration, three priorities have been identified:

- local employment;
- local procurement;
- local human resources development.

Maximisation of local manpower is a pillar of Saipem's philosophy: the number of local employees is projected to grow significantly in the next future.

In addition, Saipem is working closely with the local Government (PEMDA) to identify the essential facilities needed to guarantee the industrial development of Karimun island.

Local procurement

At present, during the yard construction phase, the use of local suppliers and subcontractors is very limited, due to the fact that value added materials such as steel structures, marine equipment, vehicles, IT hardware and software are not currently available locally. However, for services and products which do not require a high technological standard, local vendors are preferred. For example a local subcontractor is now working on landscaping activities in the yard, to improve the environment through planting of trees, grass and flowers.

To maximise the number of local suppliers and the quantity of locally purchased goods

for the following operating phase, KFY is adopting a strategic approach, creating a local procurement department, and developing a vendor list which sets out the number of qualified local suppliers and subcontractors.

Human Resources Development

Promoting the long-term development of human resources is one of the key drivers of sustainability. KFY has identified some initiatives to achieve this, involving the local education system, from high school to university. These initiatives range from the supply of teaching materials and equipment to the design of ad-hoc training and study programs.

The local Vocational High School (SMK) has launched a course on welding technology and steel fabrication (fitting), which will support KFY's future needs. KFY has supported the students' training and provided HSE materials to promote HSE culture. Regular consultations are held between KFY and the school's teachers on a monthly basis.

Opened in 2008, the University of Karimun is now planning to introduce a Mechanical Engineering study program, in collaboration with the Institute of Technology of Surabaya (ITS), to support KFY's future needs. Consideration is also being to supporting the local University, with professors or experts brought in to provide specific support, teaching sessions or lectures.

Furthermore, a series of presentations to students has been planned in the Universities of Bandung and Surabaya. The presentations will inform students about Saipem and the activities carried out in Karimun Yard, with the aim of promoting and encouraging recruitment. Saipem plans to recruit high potential students to be sent to Jakarta for a training session before being mobilised in Karimun.

Gajah Baru Project

In May 2009, Saipem was awarded a new offshore contract to develop the Gajah Baru field located in the Natuna block 'A' in the West Natuna Sea, off the coast of Indonesia.

Saipem Presence since:	mid 1980s
Personnel in the Country:	898, of which 57% are locals
Most relevant projects:	Activities are underway for Premier Oil Natuna Sea BV, on the EPIC project Gajah Baru , which encompasses engineering, procurement, construction and installation of two platforms, in addition to a connecting bridge and a subsea gas export pipeline. Activities were completed on the North Belut project for ConocoPhillips in Indonesia, which comprised engineering, procurement, transport and installation of topsides for a process platform. The platform, which was the heaviest ever installed in Indonesian waters, was installed using the floatover positioning system.
Main sites of long-term presence:	Saipem works in Indonesia as PT Saipem Indonesia offices located in Jakarta. At Karimun island, Saipem is working at a new fabrication yard. The function of the yard includes fabrication for FPSO module integration; fabrication of topsides, jackets, wellheads and ancillary structure items; and the support of marine transportation activities.



Saipem, as the leader in a consortium with PT SMOE Indonesia, has been awarded the EPIC contract (engineering, procurement, construction and installation) by Premier Oil Natuna Sea BV for the central processing platform, the wellhead platform, a connecting bridge and a 3 km, 16" gas export pipeline for the Gajah Baru Gas Field Development project. The under-sea pipeline, to be linked to the existing export trunk line, will carry 140 million standard cubic feet of gas to Sembgas in Singapore. The gas supply is expected to begin in October 2011. The project management and engineering team for the project is located in Saipem's offices in Jakarta. The jacket and deck construction is conducted in the

fabrication yard in Batam, managed by the consortium's partner.

One of the key factors in achieving successful outcomes is the ability to use local resources and to work locally. In line with the project's objective to achieve and seek to improve the 34.73% local content target, the project management team will maximise the use of domestic products and services which meet the requirements of the contract.

Local content percentage of 34.73% is relatively high, considering the nature and complexity of the project. This figure takes into account the domestic content of material used, permanent equipment,

personnel (project management, engineering, supervisory, labour force), construction equipment, fabrication and other services.

Some of the initiatives identified to increase the level of local content are:

- use of Indonesian Marine Vessels;
- assembly of packaged equipment in Indonesia;
- increasing the number of qualified Indonesian vendors on the company's vendors List.

During the execution of the project, all information concerning the achievement of the objectives on local content will be regularly monitored and reported to the client and to a third party auditor.



Guanyu Tan, ASL Batam Yard

Kazakhstan

KAZAKHSTAN



Local content policies in Kazakhstan

Saipem's companies in Kazakhstan are working on the promotion of local content by making long-term investments that include partnership with local companies and maximising the share of the project's value that is created through local employment and local procurement. Local content is considered a market differentiator that creates strong competitive advantage for Saipem.

Saipem's companies in Kazakhstan employed around 4,705 people in 2009, of whom 69% are local. Saipem's companies in Kazakhstan are applying a strict policy aimed at recruiting as many local employees as possible. The local content strategy satisfies external stakeholders such as local authorities and clients who have a direct interest in it. There are two factors that chiefly characterise the company's relationship with its employees: a high investment in training and the priority given to HSE matters.

An agreement about an 'Innovation and education' consortium called 'Corporate University' has been signed between Karaganda State Technical University and Ersai Caspian Contractor Llc, a joint venture between Saipem and the Kazakh Company ERC Holdings. The agreement has the purpose of establishing a cooperation of mutual interest where a well experienced Contractor submits the most challenging requirements from the offshore industry to one of the most prestigious and reputed university in the Republic of Kazakhstan. Fifteen graduates of Karaganda State University have been employed by Ersai

Saipem Presence since: 1995

Personnel in the Country: 4,705, of which 69% are locals

Most relevant projects:

For Agip KCO, as part of the programme for the development of the Kashagan field in the Kazakh waters of the Caspian Sea, Saipem is working on:

- offshore pipelaying operations, as part of the **Kashagan Trunkline and Production Flowlines** project. The project comprises engineering, procurement, coating, laying and commissioning of pipelines, fibre optic cables and umbilicals;
- activities for the **Kashagan Piles and Flares** project, which comprises construction, assembly, transport and installation of piles and flares and sixteen barges to accommodate plant modules;
- activities for the **Kashagan Hook Up and Commissioning** project, awarded in consortium with Aker, which comprises the hook-up and commissioning of offshore facilities and pre-fabrication and completion of modules at the Kuryk yard.

Drilling/workover operations continued in the province of Uralsk and Aktobe and on the 'D' Island project, on behalf of Agip KCO, in the northern area of the Caspian Sea.

Main sites of long-term presence:

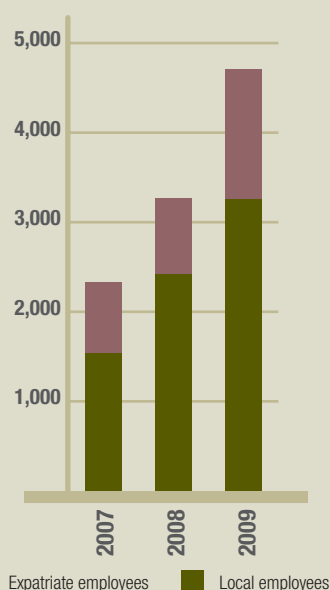
Saipem reality in Kazakhstan is represented by different Companies, namely **Saipem Kazakhstan Branch**, with offices in Almaty, Aktau, Uralsk, Atyrau, and Aktyubinsk; **Saipar Drilling Co**, as Joint Venture Company with Parker, based in Aksai, and **Ersai Caspian Contractor Llc** as merging of Saipem Group's worldwide experience in offshore and onshore construction, installation and capabilities with Kazakh business group ERC Holdings. Ersai has main offices in Aktau and a fabrication yard near Kuryk village.

in different disciplines such as welding, quality control and environmental management, where they receive mentoring from highly qualified international specialists. Ersai intends to recruit more people from Karaganda State University continuing the mutual cooperation with this University.

In view of the scarcity of professional training schools in the area, in 2009 Ersai created a 'daughter' company, called the 'Professional Training Centre' Llc, to provide training, re-training and improved qualifications for specialists in the area of industrial safety. Ersai has acquired an educational licence from the Kazakh government for this company. The centre is located in Ersai's fabrication yard in Kuryk. The Training Centre aims to provide local employees with 1.5 year programmes of secondary

technical training and 3 month specialist professional courses, mainly for welders,

Workforce in Kazakhstan, split by local and expatriate (units)



pipe fitters, steel carpenters, scaffolders and others. In this project, Ersai works also with the scientific and educational support

from the Karaganda State Technical University. The commitment to Kazakh content is also

reflected in the purchase of goods and services. Most of suppliers are now local firms.

KAZAKHSTAN



Showing the sustainability value of the local content strategy

In the Republic of Kazakhstan (RoK) Saipem has carried out a project to identify the economic and social value generated at local level through its local content strategy.

The project was designed to measure how Saipem contributes to sustainable development in the areas where it operates, in terms of wealth, skills, improved relationships and new entrepreneurial capacity.

In September 2009, a pilot project using an externality evaluation methodology was carried out to assess the activities of Ersai Caspian Contractor Llc.

By applying the externalities evaluation methodology, the Sustainability Team has demonstrated the significant contribution that Ersai is bringing to the economy and society of Mangistau Oblast and to the RoK.

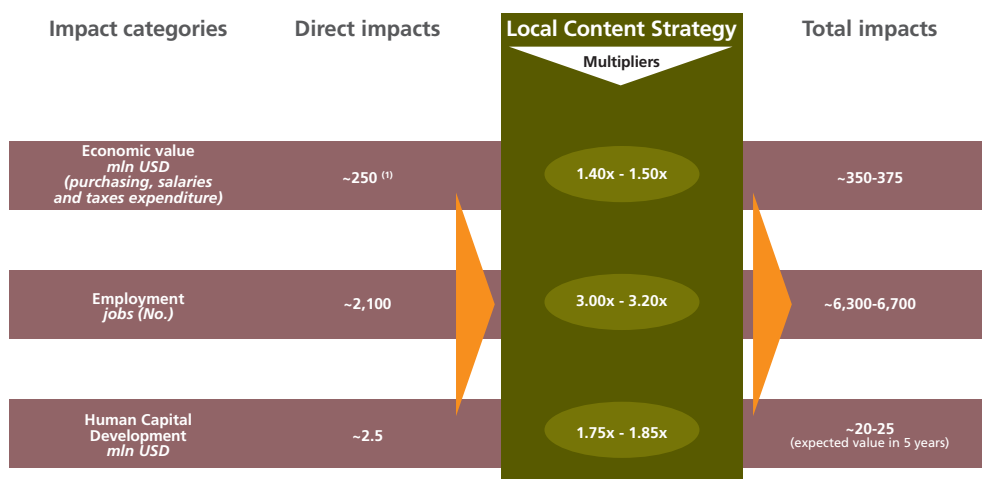
The impact of the Saipem Local Content Strategy has been identified and quantified in three socio-economic areas, namely:

- Economic Value: this consists of the financial impact of payments made by Ersai to finance its locally sourced operating expenses and in taxes. It is measured as the sum of direct, indirect and induced impacts. The project shows that Ersai's contribution to the RoK is about 1.5 times its direct expenditure in terms of local purchasing, salaries and taxes.

- Employment: Ersai makes an important contribution to increased local employment through the creation of direct, indirect and induced jobs. The results of the project show that Ersai contribution to the RoK's overall employment is about 3 times the numbers directly employed by the company.
- Human resources development: Ersai contributes to increased practical knowledge and skills of its employees, creating additional lifetime earnings expectancy and increased employability. The project results show that Ersai's contribution to the RoK's capacity building is about 1.8 times its direct expenditure in training.

The study has also been an important factor in engagement with stakeholders. A stakeholders' survey was also conducted to collect qualitative information on perceptions about Ersai. In total 17 stakeholders were interviewed, 12 of them local suppliers, and the others representatives of local institutions and administrative and social bodies. The survey found that, overall, the average perception of the impact of Ersai's operations on the local economy and society is fairly positive.

Externalities evaluation study for Ersai Caspian Contractor Llc



Note: Economic value and Employment figures refer to year 2009 whilst Human Capital Development refers to expected figures in a 5 years time horizon.
(1) Direct impacts calculation considers salaries as retained earnings; source: Arthur D. Little analysis.

'Ersai has carried out a lot of industrial/technical training (e.g. training for welders)'

COC LLP

'Ersai's impact on employment is surely remarkable at the Karakyan District level'

BCK Translogistic

'In the area of Kuryk and Karakiyanskiy District, without Ersai the people would not have had other possibilities to work'

Head of Employment Centre Kuryk

Nigeria

Committed to Nigerian Content Development

Saipem has operated in Nigeria since the mid 1960s as an onshore and offshore drilling contractor. Saipem Contracting Nigeria Ltd (SCNL) is now the Saipem's main operating Nigerian Subsidiary Company. Incorporated in Nigeria in 1989, SCNL operates principally as the Engineering, Procurement, and Construction (EPC) contractor for the execution of turn-key projects including oil, gas and water pipelines, oil, gas, and industrial plants, infrastructure, manufacture of offshore structures and maintenance services.

Saipem's strategy has always been based on the 'willingness to stay', with a strong commitment to create and add value to the Nigerian economy and society. Local content is an additional way of creating value, and one that helps enable Saipem to continue to be awarded projects in Nigeria, despite the difficult economic and social climate.

Saipem's strategy in Nigeria focuses on improving the quality of the socio-economic context while adding value to human capital – an approach that has resulted in several initiatives that aim to ensure sustainable physical and social development. This is in line with Saipem's corporate strategies and the Government's regulations as coordinated by the Nigerian National Petroleum Corp (NNPC) on Nigerian Content development. On its various operating sites, Saipem is working on the development of local content through long term investments, partnership with local companies, and the maximisation of local employment, procurement and the share of the project's value executed in the host country.

At the end of 2009, local employees numbered 4,137, out of a total of 4,765

NIGERIA



Saipem Presence since:	Mid 1960s
Personnel in the Country:	4,765, of which about 87% locals
Most relevant projects:	<p>The EPIC contract AKPO, for Total Upstream Nigeria Ltd, in Nigeria, was completed. Activities continued on the EPIC type Usan project for Elf Petroleum Nigeria Ltd, relating to the subsea development of the Usan deepwater field, located approximately 160 km south of Port Harcourt in Nigeria.</p> <p>Onshore activities are under way on the EPC contract OML 58 Upgrade, for Total Exploration and Production Nigeria Ltd - TEPNG; on the EPC-type Nembe Creek-Cawthorne Channel, on behalf of Shell Petroleum Development Co; on the EPC-type Escravos GTL project, on behalf of ChevronTexaco.</p> <p>Construction is being completed on the OB/OB Revamping (T-4/5) project, in consortium with Desicon Engineering Ltd, for Nigerian Agip Oil Co (NAOC).</p>
Main sites of long-term presence:	Saipem Nigerian Operating Companies are: Saipem Contracting Nigeria Ltd , operating principally as Engineering, Procurement, and Construction (EPC) contractor; Saipem Nigeria Ltd , operating in offshore and onshore drilling; and Saipem Engineering Nigeria Ltd . Saipem has also a construction yard located at Rumuolumeni (a community about 10 km from the town of Port Harcourt).

Saipem employees, representing 87% of the total workforce.

Saipem is working at increasing the percentage of local employees, especially in higher and managerial positions, by implementing a local employees' development plan and training programs. For example, this is applied in the OML58 project, an onshore construction project located at Ogbogu and Obite for which the engineering design was developed during 2009. The main project objective is to increase the client's marketable gas by revamping and increasing the capacity of a flow station and treatment and production centres. Several positions in the Project Management Team are held by Nigerian engineers and managers, the number of local personnel having grown inside the company over the years, while many other key local personnel are undergoing training in various managerial and technical disciplines. The company is also building skills in welding and pipefitting by providing specialised training to young local people, recognised by a certificate.


With others, Saipem is also working in

Nigeria on the Usan UFR & OLT Project, an EPIC contract for Total Exploration and Production Nigeria Ltd (Total EPNL), carried out at Rumuolumeni yard. The project is creating an undersea umbilical (72 km), 61 kilometres of flowlines, and risers connecting 42 undersea wells to the FPSO. The contract also includes the construction of the oil loading terminal (an offloading buoy and two offloading lines) and part of the FPSO anchoring system. Saipem, with its procurement office based in Lagos, has been cooperating in the project with many local subcontractors and suppliers. The Usan framework has allowed a further expansion of these relationships, by contracting Nigerian manufacturers and suppliers with the aim of developing the in-country resource base. For example, Socotherm Nigeria is currently performing the anticorrosion coating of 80 km of pipelines, while Grinaker is fabricating in line tee mud mats and Metec W/A will supply all project sacrificial anodes. At its peak, the project will engage a large local workforce at Rumuolumeni yard involved in the construction of about

20,000 tonnes of steel work. In order to fulfil the needs of the project, Saipem has constructed two new additional workshops with state-of-the-art technologies for the manufacture of insulated Pipe in Pipe quad joints and other specific structures for deepwater projects.

Saipem has been the first of the contractors working in Nigeria to implement a comprehensive and effective training plan aimed at developing an undersea engineering and installation methodology capability in Nigeria. Total, NCD and Napims expressed their satisfaction about the training package.

Beside internal training, Saipem is promoting training activities for non Saipem employees, chiefly to enable local people to gain qualifications and skills and to support the introduction of young graduates into the industry through internship programs coordinated with local universities. In 2009, forty university students have benefited from the 6 months internship program. Most of the students were selected from various engineering disciplines including mechanical, civil, materials, and chemical. Other relevant courses of study such as computer science, geography and environmental studies, quantity surveying and economics were also among those from which students were selected. The six monthly internship period equates to about 960 training man-hours per student. The training is mainly focused on on-the-job skills training within the SCNL



NIGERIA

NNPC - 'Increasing Local Capacity through Sustainable Human Capital Development'

Saipem was required to participate at the workshop 'Increasing Local Capacity through Sustainable Human Capital Development' organised by the Nigerian National Petroleum Corp (NNPC) in Abuja on April 29-30, 2009. George Osahon, Group General Manager of NNPC, in his opening speech outlined once again the need of Nigeria for human capital and local entrepreneurship development. Saipem, for its part, was mentioned among the top five companies that have strongly pursued the Nigerian content vision over the time, thanks to employment and training of local manpower in the projects' execution, from workers to managers, local procurement and infrastructural development.

fabrication yard and workshops. By the end of 2009, over seventeen students will have successfully completed their internships, while other students will continue their training in 2010. The internship program is conducted periodically in accordance with the relevant schools' academic calendar.

People Management

Great attention is also given to maintaining a positive and well-ordered relationship with local employees. The local workforce, represented by three national trade unions, agreed to specific contractual conditions set out in a Memorandum of Procedural Agreement, signed by Saipem and the local trade unions. These contracts are specific to the different employment categories within the company: junior staff, senior staff and special workers (pipe fitters and

welders). These agreements define the basic salary entitlement, detailed conditions, benefits and allowances paid by Saipem and are renewed every two years following negotiations between the two parties. The last agreement was signed in 2009. Looking to the future and following the path already in place in Nigeria, Saipem intends to play an increasing role in integrating government, customers and local companies at every stage of the supply chain. The aim is to extend the local content concept, by developing and exploiting the potential of local companies which can provide a significant boost for Nigerian economic growth. In addition, Saipem is committed to developing its Nigerian content through the acquisition of projects having dimensions and characteristics which can be undertaken in the country, from the engineering to the construction phase.



NIGERIA

Statement from Group Country Manager

Saipem is proud to have a strong presence in Nigeria and local content is a key success factor of our activity. This is well known to our local stakeholders and clients. Through our results we prove that Saipem model based on local content is the best one in term of efficiency, reduction of execution/delivery time, cost optimisation and HSE management. Our slogan 'here to stay' is clear, and is demonstrated by our decision to maintain our presence in the Port Harcourt area, despite the uncertain security situation, the ISO 14001 and OSHAS 18001 certification obtained, the training programs and so on. We now need to improve our measurement capabilities and to compare our local content data with our international competitors in the country but also with the national companies. This will support us in the definition of new areas of improvement. The company's results and the external recognition rewarded Saipem efforts to integrate its activities in the Country. I am sure this is also the way to be followed in the future.

Giuseppe Surace
Managing Director SCNL - Group Country Manager Nigeria

Peru

Working for future of Peruvian Content

Peru offers a challenging environment for business sustainability: Petrex's operations are located in a situation where abundant natural resources are present alongside significant gaps in the socio-economic infrastructure and institutional development that needs to be developed further. Petrex's operations are located in Talara and Iquitos, cities with a strong relationship to the oil industry. Petrex is the main drilling contractor in the country and it is considered one of the top companies at these sites because its effective engagement with local stakeholders is seen as important.

Saipem's Sustainability Talent Program is the tool for developing and fostering stakeholder engagement. After setting out who its stakeholders are, Petrex then identifies the most relevant, such as employees and their families, local suppliers and clients. Then various initiatives are implemented, in order to develop strong relationships with all parties involved and to obtain very positive results.

Public health, our health

Looking at the social perspective, Petrex has identified two areas for intervention: education and public health. Public health in Iquitos and Talara is a matter of concern for the Health Unit, given that Petrex's workforce is mainly local and their families are also part of the neighbouring communities aided by the company. Petrex's health activities are planned in the light of current health problems of the

communities as identified by the Company's sustainability facilitators' network. Some of the problems identified are lack of access to medical centres, endemic diseases and diseases that are very prevalent. Each site then carries out activities suitable for its particular context. Iquitos, the largest city of the Peruvian rainforest, has a high incidence of extreme poverty¹ (23.8%) and the most vulnerable sector of the population is children. Children are exposed to risks to their safety, education, nutrition and health. In order to contribute to the wellbeing of the youngest inhabitants of Iquitos, in 2009, Petrex worked along with the INABIF (the Government's Institution that protects family and children welfare) carrying out two health awareness programmes among the children of INABIF's foster homes in the city. These involved presentations about preventive health and the distribution of medicines to prevent anaemia and parasitic diseases, which are common for this population.

A growing problem addressed by Petrex in Iquitos is sexually transmitted diseases (STDs) and AIDS. Iquitos has a high prevalence of these diseases and preventive measures are the most efficient tool for avoiding contagion. The Health Unit therefore includes this topic in the preventive health training plan for employees. The Social Work Unit then addresses the subject in the sexual education classes given to INABIF's teenagers. In order to ensure adequate preparation for medical emergencies, a workshop about injectable treatments and first aid procedures was carried out among employees' families. These activities included contributions from a local institute and the Iquitos fire department. Talara is an oil enclave, located in the Peruvian northern coast. Since its creation in the 1950s, the city's infrastructure has become inadequate. For example, in the distribution of health services the population of the outskirts of the city have to travel

PERU



Saipem Presence since:	1983
Personnel in the Country:	1,357, of which 98% are locals
Most relevant projects:	Saipem is present in Peru both through Petrex SA and in consortia, such as CDB Melchorita and CDB Callao. At the end of 2009 Saipem completed the construction of maritime infrastructure on the Melchorita Lng project for Peru Lng, a regasification terminal at Pampa Melchorita, 200 km south of Lima. Besides, Saipem is working for the realisation of the new Terminal of Containers of Callao Port South Zone, for the Client Dubai Ports World Callao. Saipem, by Petrex, has seven drill rigs and twelve work over and pulling rigs and also operates five work over and pulling rigs owned by third-parties. The drill rigs drilled a total of eleven wells for Perenco, Interoil, Talisman and Petrobras, while a total of nine hundred and sixty-one work over and pulling operations were carried out for Pluspetrol, Petrobras, Petrotech and Interoil.
Main sites of long-term presence:	Saipem operates in Peru by Petrex SA , specialised in drilling activities. The company's head office is located in Lima, secondary administrative offices in Talara, Iquitos and Trompeteros, and drilling/workover rigs mainly in Peruvian forest area of Loreto.

(1) Extreme poverty: situation where households do not present enough expenses to acquire a minimum basket of food consumption that meets the minimum nutritional requirements in terms of calories and protein (National Institute of Statistics and Informatics - Peru).



Gil Geida, Integration into the local context

considerable distances to get medical attention, even in emergencies. As a response to this problem, Petrex carried out two workshops in 2009. The first one was about health for mothers and children and was focused on preventing typical diseases of small children and women. It started with medical and dental examinations and continued with presentations to prevent typical diseases. The second workshop was a training session on injections and drip-feeds, which are important skills in Talara's context. Both activities were carried out with the contribution of health professionals from recognised local institutions.

Employability of young professionals

Petrex has offered opportunities to students from the National Service for Industrial

Labour Training (SENATI), a public institution dedicated to technical education. SENATI operates all over Peru and its specialism is preparing qualified technicians for industrial activities. Graduates of SENATI in Talara have the expectation of working in the oil industry, since it is the main activity of the area. In order to promote the employability of SENATI graduates, Petrex invites its top students to spend a three months internship in Talara's maintenance facilities. In September 2009, nine new interns joined this program and, for the first time, graduates from SENATI in Tumbes were invited, given that new operations are being developed in the region neighbouring Talara. The newcomers are graduates from three different careers: metallic constructions, maintenance mechanics and auto-mechanics.

In past internship programs, most interns were directly hired by the company while

others found alternative jobs suitable to their skills. The current group of interns was brought into Petrex with great expectation about their skills and professionalism.

Strengthening the sustainable value chain

Local suppliers are key in providing services to clients. The quality of their products and services, the timely delivery and the support they provide are strong factors in the quality of Petrex's work. Mindful of this and thanks to the coordination of several units of the company, on November 27, 2009 Petrex organised the first Supplier's Forum, called 'Strengthening the Sustainable Value Chain'.

The event was attended by 24 guests, representing 20 key companies. Petrex speakers addressed several themes related



Jesus Palomino, The nature scenery

to vendors. The themes and participating units were: vendor management (Procurement), labour intermediation and contractual obligations (HR & Legal), sustainability management and the SA8000 standard (Sustainability), occupational health management (Health), industrial safety management and the Peruvian legislation (Safety), payment procedures (Finance) and quality management system (Quality).

The most novel theme was the SA8000 Social Accountability standard which generated an interesting discussion among the attendees, that was a very good indication of their willingness to improve their performance beyond the economic sphere.

The event provided a suitable forum to analyse commercial relations beyond orders and contracts and to rethink everything in an innovative way. At the end of the event, the attendees gave their conclusions, emphasising how the forum had contributed to the mutual benefit of all parties in the client-supplier relationship.

The Sustainability Talent Program has become a competitive advantage for Petrex in Peru and in South America. Clients recognise the value of Petrex as a socially responsible company. This characteristic has enabled the company to be awarded new contracts, where social responsibility aspects were considered in the tenders. The activities shown are a sample of Petrex commitment to be sustainable.

Focus on CDB Melchorita

CDB Melchorita (a Consortium including Saipem, Odebrecht and Jan de Nul) was contracted by Peru LNG for the detailed engineering, design, procurement and construction of all Marine Facilities, consisting of the construction of a port for the towing and loading of gas tankers for the export of Liquefied Natural Gas (LNG), located in Pampa Melchorita on the central coast of Peru.

It includes a gas loading platform, contention carter, temporary lighting, emergency stairs, disembarking walkways, dolphins, a dredged channel, a 1,350-metre long Marine Trestle, and an 800-metre long breakwater located 1,500 metres offshore, in-between other adjacent works.

The project started in August 2006 and was completed in December 2009.

Sustainability approach

CDB Melchorita, recognising its influence in local communities, shares a long-term vision with the local neighbourhood of Chincha and Cañete. The main shared commitment is to understand the expectations of the consortium's stakeholders and contribute to sustainable improvements in their quality of life and capability, achieving this mainly through the core business activity rather than charity. CDB Melchorita identified its workers and

the local neighbouring communities as the main stakeholders for its sustainability programme. The themes of its sustainability activities were focused on: development of individuals; socio-economic development of local communities; and increased understanding of environmental protection.

Local workforce

The total workforce has gradually increased during the project. At its peak, the total workforce was about 1,600 of whom 92.7% were national.

Among the national employees, the non-qualified workforce comes mostly from Chincha and Cañete, whereas the technical and specialised workforce comes from different parts of the country.

Employees' development training

The Human Resources Department developed a training program for all CDB Melchorita workers, at different operational levels, with two objectives. The first one was to 'reinforce capacities', addressed at employees and foremen who already had a specific skill. This group underwent technical courses in welding, mechanical skills, revision and mechanical repair. These were designed to update their knowledge, skills and practice and achieve greater competitiveness in the workplace. This

course was developed by SENATI, the Technical Institute located at Chincha. The program also included an English language course for administrative staff. The second objective was 'building capacity' and was aimed at workers without specific knowledge or technical skills. The courses are also designed to provide people with tools to find new job opportunities, mainly focusing on the use of PC and specific softwares.

People Management

The consortium conducted a conflict management and resolution programme: 'We Listen to You' for all its employees. This was undertaken by the Human Resources department and a social assistant who went to different work areas to meet the workers directly and address their questions. This included identifying and solving work or family problems, checking aspects of the project's work environment, such as transport, food, accommodation, and promoting the safety vision to the workforce.

In the last phase of the project, a demobilisation program was launched for all personnel, called 'De la mano a CDB Melchorita' (Give your hand to CDB Melchorita). It was mainly to reinforce the self esteem of the employees and to give them the knowledge and tools to

Total ordered		
Local	(USD)	3,827,223
National	(USD)	33,478,838
International	(USD)	38,576,723
Total	(USD)	75,882,784

adjust to the project demobilisation. The program was conducted through lectures and workshops, and included training in writing CVs and interviews and personal improvement. It also had a section on 'Marketing staff', showing how people can offer their capabilities and knowledge in the job market. Some workers improved their technical skills during the project, thanks to an ad-hoc training plan conducted by the CDB professional staff. To certify and document their newly acquired expertise, some employees conducted an assessment and evaluation test in order to obtain a recognised certificate in welding, according to the AWS D1.1 code. They were then able to use this certificate as a record of their ability, useful to increase their competitiveness in the labour market.

Local suppliers

For the duration of the project, CDB Melchorita made a priority of maintaining contact with national suppliers, including small suppliers from local communities and mid-size suppliers from across the national territory.

The total value of purchases ordered in Peru represented 49% of CDB's total expenditure. General services and goods not requiring high technology were mainly supplied at local level, chiefly in the areas of Chincha and Cañete.

The subcontractors have a considerable influence on CDB activities and the quality of final products. They are therefore considered as partners. This partnership has been implemented through assisting local and national subcontractors in the preparation of their QHSE documents and through a joint effort in the preparation of the manufacturing areas and production line organisation. Experienced inspectors and engineers on Quality, HSE and production were present at subcontractors' sites, to guarantee the quality of the final product and to transfer best practices and standards to subcontractors to accelerate their own improvement.

Some interviews with subcontractors' managers have been carried out during the final period of the project to understand how they see the relationship and partnership with the CDB Consortium and how this influenced their way of working.

PERU

'The collaboration with CDB Melchorita has led us to improve in many aspects such as safety, implementation of QHSE management, to recruit more field inspectors and supervisors, and also implement some processes; all of them were analysed during the weekly meetings'

Eng. Victor Fortuna - Chief of the Plant - Técnicas Metálicas

'Definitely, to have a long and stable contract with CDB allowed us to develop the multichannel technique; this allows increasing our services. Working with CDB served us as a presentation card that could open many doors. Regarding training, today we consider that our technicians are better trained as a consequence of the request from professional staff of CDB'

Erich Macher - Director Project Management - Leon & Russo



Sustainability is a source of competitive advantage and business enabler. Saipem's sustainability model, integrated with its business strategy, has the primary purpose to create a dialogue with all its legitimate stakeholders and to take into consideration the issues identified by different stakeholders, aligning its activities with them.





saipem sustainability talent

sustainability as a core company value

saipem sustainability organisation

Saipem has continued to organise its Sustainability Model at both corporate and local levels as sustainability becomes more and more integrated with business strategy.

The **Sustainability Committee** is chaired by the CEO and includes the Deputy CEO, the CFO and the Corporate Vice Presidents for Human Resources, QHSE, Procurement, Assets, Legal Affairs, Risk & Opportunities Knowledge Management, Integrated Projects, the Chief Executive Officer of Saipem sa, and Chief Operating Officers of business units.

The Committee met three times in 2009. It examined and discussed the group's entire sustainability programme and the plan of initiatives and activities to be carried out and it gave inputs and clearance for the Sustainability Report.

The **Sustainability Team** continues to coordinate a cross functional working group and assist the operating units in organising a professional internal sustainability network. In 2009, Saipem consolidated its sustainability organisation, implementing standards and procedures on planning, reporting, internal branch organisation and accountability for community initiatives. Given the cross-cutting nature of sustainability, almost all company functions are involved in initiatives and programmes, for example in setting targets. **Sustainability facilitators** and coordinators in places where Saipem operates are often the focal points to support the continuous improvement of Saipem's performance in close coordination with the corporate team.

governance model

In 2009 Saipem continued the process of ensuring greater reliability of financial information in the Group and its subsidiaries, which started in 2006 with compliance with the US Sarbanes-Oxley Act legislation (SOA).

The effectiveness of the controls has been assessed every six months through a report which provides the CEO and CFO with insights related to gaps in complying with SOA purposes. External auditors verify the effectiveness of the controls.

Adaptation to the Italian Law 262, begun in 2007, was continued in 2008 and 2009. This has led to an internal model of control systems over financial reporting, which sets out the roles and responsibilities involved in achieving a strong control environment.

This model has also led to the setting up of internal procedures aimed at avoiding risks of fraud or errors in financial reporting in all Saipem companies. In all 20 of the companies involved, an individual responsible for compliance with Italian Law 262 has been identified. His or her main responsibilities are monitoring the effectiveness of controls and updating procedures to adapt them to organisational changes. Every six months the local financial manager formally evaluates the status of the implementation of procedures by means of an audit. Summaries of these evaluations are collected and monitored at corporate level and reported to the CEO and CFO.

The project has strengthened the link between corporate offices and local subsidiaries, rationalising and formalising processes with the result that for every company involved in the project there is an internal control system which can highlight material errors or omissions in financial reporting, in addition to external auditor activities.

saipem sustainability achievements

On September 2009 Saipem has been included for the first time in the Dow Jones Sustainability STOXX Index. The DJSI follow a best-in-class approach and include sustainability leaders from each industry on a global and regional level respectively.

On March 2010 Saipem has been admitted to the FTSE4Good Index, which includes companies excelling in environmental sustainability, research and innovation investments, and in their relationship with shareholders, suppliers, employees and local communities.

For the second year, Saipem has been recognised as a Sustainability Leader for the Oil Equipment & Services sector in the SAM Sustainability Yearbook 2010. The 2010 SAM Sustainability Yearbook features 58 sectors and 1,237 companies and is one of the world's most authoritative publications on corporate sustainability.

organisation, management and control model

Saipem has adopted an organisation, management and control Model (the 'Model') in accordance with the principles included in the 1997 OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions (the 'OECD Convention') as implemented in the countries where Saipem is incorporated (among which in Italy by Italian Legislative Decree No. 231/2001 and Law 300/2000). The structure of the Model includes the Saipem's Code of Ethics, the Risk analysis methodology, the tasks of the Compliance Committee, addressees of Model and extension thereof, the disciplinary system structure, the control tools, and the rules for updating the Model itself. During 2009 Saipem has also updated its Anti-corruption Procedures, on the basis of applicable laws and regulations, relevant Italian and international case law, review of anti-corruption international best practices, review of systems adopted by major competitors and analysis of indications supplied by governmental and non-governmental organisations.

code of ethics

Saipem, as international industrial group operating in complex situations, often in remote and frontier areas, is aware of its significant role in the marketplace and among its stakeholders. This understanding strengthens the importance of clearly defining the values that Saipem accepts, acknowledges and shares as well as the responsibilities it assumes, contributing to a better future for everybody.

Saipem's Code of Ethics (the 'Code') includes all the company's general principles for sustainability and corporate responsibility, defines guidelines for interaction with stakeholders, and identifies the tools and the internal organisational structure by which the Code is implemented. Saipem endeavours to protect and promote human rights as the inalienable and fundamental prerogatives of human beings and the basis for the establishment of societies founded on principles of equality and solidarity. In this respect Saipem operates within the framework of the United Nations Universal Declaration of Human Rights, the Fundamental Conventions of the ILO – International Labour Organisation – and the OECD's Guidelines on Multinational Enterprises. Compliance with the Code of Ethics and with the values of honesty, fairness, cooperation, loyalty and mutual respect is fundamental to the quality of work and the professional performance of all of Saipem's people. Compliance with the Code is supervised by the Compliance Committee of each company in the Saipem Group. These committees also act as guarantors of the Code of Ethics. Knowledge of the contents and the correct interpretation of the Code of Ethics is disseminated to all Saipem employees by an ad-hoc internal task force, the 'Code Promotion Team'. Saipem is open to – and will favourably take into consideration – any suggestions and remarks from stakeholders for improvements to the Code of Ethics. The correct interpretation and knowledge of the contents stated in the Code of Ethics is diffused to all Saipem employees, by an ad-hoc internal task force of Saipem SpA, the 'Code Promotion Team'. In 2009, about 255 employees from Saipem SpA attended six training events on the issue. Besides, further training activities have been organised at Sharjah (UAE) and Port Harcourt (Nigeria) for Saipem's personnel.

whistleblowing

In application of the 2002 Sarbanes-Oxley Act requiring the Audit Committee and, therefore, for Saipem, the Board of Statutory Auditors, to set up appropriate procedures in the field, it has been issued the Standard Corporate of December 1, 2006 'Reports (Including Anonymous One) Received by Saipem and Its Subsidiaries'. The procedure provides for the set up of communication channels suitable to guarantee the receipt, analysis and treatment of reports related to problems of the internal control system, corporate disclosure, administrative responsibility of the company, fraud or other subjects, forwarded by employees, members of the company bodies or third parties also in a confidential or anonymous form. The outcomes of the investigations on reported cases are brought to the attention of the top management of the company, to the dedicated control bodies and to the other interested company functions, in full guarantee of the protection of whistleblowers. On the basis of the investigations concluded in 2009, 18 reports were closed in the year (9 in 2008): 2 reports concerned the internal control system (5 in 2008), whilst 16 reports regarded the so-called 'other subjects' (4 in 2008).

15 reports were found to be groundless (in 2008 all the 9 reports were found to be groundless), 2 were found to be at least partially grounded and 1 grounded, with the consequent adoption of disciplinary actions or measures for a better working environment.

the internal audit function

Saipem SpA's Internal Audit Function draws up an annual top down-risk based integrated audit plan. The plan focuses mainly on the group entities, corporate processes and group projects that present the highest potential risks and have the strongest connection with the

company's strategic objectives as set out in Saipem's strategic plan. The integrated audit plan is subject to the assessment of the Audit Committee and the Board of Statutory Auditors, as well as to the approval of the Board of Directors and of the Compliance Committee, as far as Model (Italian Decree No. 231 of 2001) issues are concerned. The integrated audit interventions aim at assessing the adequacy and effectiveness of the internal control system of activities subject to the audit, with particular reference to compliance with internal and external regulations (and with a specific focus to the issues related to Model) and to the effectiveness and efficiency of operations. The 2009 Audit Plan included 21 Audits and all the reports were issued by the end of February 2010. The outcomes of the audit activities are periodically communicated to the Control Bodies, to the company's independent non executive directors and the company's top management, together with the results of the corrective actions and monitoring activities which are undertaken after the interventions.

audit committee

To guarantee the overall management of the internal control system, the Audit Committee is entrusted with advisory and consulting tasks on behalf of the Board of Directors for issues related to the internal control system. Totally composed of independent members, the Committee supports the Board of Directors in its task of drawing up the guidelines for the internal control system. Main risks related to the company and its subsidiaries are identified, measured, managed and monitored, to comply with safe and proper management of the company. The Committee analyses the integrated audit plan and the outcomes of the audit reports produced by the Internal Audit function. Complete information on the Internal Control System, and the description of the Internal Audit function activities are available in the Saipem Annual Report.

tskj case

TSKJ Consortium Investigations

Snamprogetti Netherlands BV has a 25% participation in the TSKJ Consortium companies. The remaining participations are held in equal shares of 25% by Halliburton/KBR, Technip, and JGC. Beginning in 1994, the TSKJ Consortium has been involved in the construction of natural gas liquefaction facilities at Bonny Island in Nigeria. Snamprogetti SpA, the holding company of Snamprogetti Netherlands BV, was sold by Eni to Saipem SpA in February 2006. The U.S. Securities and Exchange Commission (SEC), the U.S. Department of Justice (DoJ), and other authorities, including the Milan Public Prosecutor's office, are investigating alleged improper payments made by the TSKJ Consortium to certain Nigerian public officials. At the time of the events under investigation, the company had in place a code of practice and internal procedures based on current best practices. Subsequently, the code and internal procedures have been improved with a view to achieving the continuous improvement of internal controls. Furthermore, on July 14, 2008, Saipem approved a new Code of Ethics and a new Model, which reaffirmed that the belief that one is acting in favour or to the advantage of Saipem can never, in any way, justify – not even in part – any behaviours that conflict with the principles and contents of the Code and the Model, while an analysis of existing internal anti-corruption procedures was also carried out, with a view to implementing any modifications that proved necessary. Besides, on February 2010 Saipem has approved its new Anti-corruption procedures, described in the chapter 'organisation, management and control Model', recognised as in line with international best practices for combating bribery.

Further details are available in the 2009 Financial Statements, under the chapter on Legal proceedings.

stakeholder engagement

Saipem is aware that building a dialogue with all its legitimate stakeholders is a value-creating process as it is important to learn and understand their positions. This helps the company to take into consideration the issues identified by different stakeholders and align its activities with them. Considering the diverse range of Saipem's stakeholders, their different needs, influences, geographical spread and level of interest, it has been necessary for Saipem to implement a flexible and diversified approach to stakeholder engagement, ensuring a common and shared strategy defined at corporate level. Hence, stakeholder engagement in Saipem is based on a dual approach, identifying and engaging with stakeholders at both the corporate level and local level. At corporate level, a general process of stakeholder identification is developed, defining the main messages and commitments to stakeholders (see the table at page 41). Also at this level, engagement activities are conducted with international or group-wide stakeholders such as investors and shareholders, clients, employees' representatives and others. Engagement also takes place at local level, in the light of the specific characteristics of the projects that Saipem conducts and the countries where it operates. For each specific project and geographical area, Saipem identifies the most relevant local stakeholders and defines suitable and effective ways to create a dialogue with them. Saipem's operating companies therefore have different approaches to engagement and social community plans which they implement during their daily working activity.

commitments towards stakeholders

Local Communities	<p>Saipem will continue to contribute to the promotion of long-term socio-economic development in the areas of its presence and operations, mainly through the promotion of local employment, the transfer of know-how and the improvement of supply qualification of local vendors.</p> <p>Saipem will also continue to create relationships with the local communities and maintain an open dialogue with them, to guarantee a mutual and reciprocal development.</p>
Employees	<p>Acknowledging that human capital is the most relevant success factor for its operations, Saipem will continue to attract talented people and promote their development, motivation and competence.</p> <p>Saipem will continue to promote and support employees' health, safety and security in the workplace, insisting on the creation of a strong 'culture of care' among employees.</p> <p>Saipem will continue to proactively improve the relations with trade unions and guarantee an open and transparent confrontation.</p>
Customers	<p>Saipem is always committed to improve the performance of its activities, guaranteeing the research of high standards and best practices, to anticipate Customers' needs and market trends and to deliver sustainable value in the projects it has been awarded.</p> <p>Saipem is committed to create a relationship with Customers based on trust and confidence.</p> <p>Customers' opinion is of huge relevance; therefore Saipem is strongly working on the improvement of a more comprehensive Customer Satisfaction model, which can collect the information and feedback from the Customers.</p>
Vendors	<p>Suppliers and Subcontractors are key for Saipem business. Their selection is conducted through a reliable, fair and transparent process. An established network of vendors is in place that guarantees respect of Saipem rules, standards and procedures in the execution of their activities.</p> <p>Saipem will continue working on the creation of fair relationships with relevant vendors, promoting their development and technical enhancement, with particular focus on the promotion of local suppliers and subcontractors.</p>
Governments and Authorities	<p>Saipem will continue to operate in the areas of activities, respecting rules and guaranteeing compliance with the legislation in place.</p> <p>A direct dialogue with authorities in the areas of operation is considered essential for a successful result. Therefore Saipem is intent on working in harmony and cooperation with local authorities, respecting the environment and contributing to the promotion of local socio-economic development.</p>
Shareholders and Institutional Investors	<p>Saipem corporate governance system is advanced and transparent and ensures full compliance with the national, international and stock exchange regulations. Saipem is fully committed to maintain efficiency, reliability and reputation, as well as ethical integrity and fairness in all its business operations.</p> <p>Saipem is committed to create long-term value to shareholders, and guarantee solid and profitable performance of its operations.</p>
Non Governmental and Local Organisations	<p>Saipem has a transparent and effective governance and internal control system, designed to prevent corruption and unfair behaviour. Saipem invests in local content and is strongly focused on guaranteeing the health, safety and security of its employees.</p> <p>Saipem has and will maintain an open approach, to guarantee a dialogue and cooperation with all recognised organisations. This will be done directly or through its Customers.</p>

sustainable business strategy

overview on market scenarios

The last year has been a turbulent one for the global energy market. The financial crisis and the consequent economic downturn have affected demand and investment. Whether demand for energy revives depends on how the economy behaves in 2010 and beyond – particularly the strength of the recovery and the impact of the financial packages that governments have put in place to stimulate economic activity and employment.

According to the International Energy Agency (IEA), global energy use is set to have fallen significantly in 2009 for the first time since 1981. However, the IEA also expects the long-term upward trend to be restored over time. If current trends continue and if governments make no changes to policies, the IEA projects world primary energy demand to increase by 1.5% per year between 2007 and 2030, with an overall increase of 40%. This is mainly expected to occur because of the rapid growth and industrialisation of emerging economies in Asia and elsewhere.

Fossil fuels are expected to remain the main sources of primary energy, making up more than 75% of the overall increase in consumption over the next two decades. Oil demand is projected to grow from 85 million barrels per day (Mbb/d) in 2008 to 105 Mbb/d in 2030, with all the growth coming from non-OECD countries, while OECD demand is projected to fall. Transport accounts for 97% of this increase in oil use. Conventional oil production in countries not belonging to the Organisation of the Petroleum Exporting Countries (OPEC) is projected to remain broadly flat or decrease. Most of the increase in output would thus have to come from OPEC countries, which hold most of the remaining recoverable conventional proved oil reserves.

Increasing demand for oil – at levels considered by many analysts as challenging to satisfy – coupled with declining oil production capacity from existing fields, is expected to trigger an increase of oil prices over the coming years. Other drivers may reinforce such a trend:

- continuing delays in financial investment decisions (FIDs) by major international oil companies (IOCs) for new field developments are likely to affect their production capacity and global oil supply. Production growth will remain a big challenge for the US and European oil majors. A decline of oil production by existing fields by around 50 Mbb/d is expected over the next 25 years;
- global spare production capacity is forecast to decrease after 2010, reaching the tight levels of 2007-2008 by 2012.

Growth in oil production capacity during the next few years will mainly come from very challenging projects. Most of these

projects are technically difficult and expensive, while others face geopolitical issues. If a significant proportion of these supplies fails to materialise, global spare production capacity would be drastically reduced. Some of the key areas for development are as follows:

- **Deepwater** Conscious of considerable production decline rates, major oil companies are increasingly taking stakes in deeper and more complex resource areas that are still off-limits to most national oil companies (NOCs). 40% of major IOCs' new production over the coming cycle is expected to come from deepwater oil production.
- **Arctic** According to the USGS (U.S. Geological Survey), the Arctic could hold about 22% of the world's undiscovered conventional oil and natural gas resources (30% of natural gas and 13% of oil). Arctic oil and natural gas resources are expensive to develop due to the harsh climate which requires special materials and construction processes, winterised equipment and vessels, as well as a slower pace of activities.
- **Iraq** The Iraqi Oil Ministry has adopted a ten-year strategic plan which calls for an increase in the country's oil output to 6 Mbb/d by 2017 (up significantly from 2008's average production of 2.4 Mbb/d). A significant uptick in production is likely as investment picks up in the coming years. Iraq could represent a multi-billion opportunity for the oil service companies over the next few years.
- **LNG** Another key trend in new production is the high proportion of Liquefied Natural Gas (LNG), which accounts for 25% of sanctioned growth.
- **Non-conventional oil** Heavy oil projects and other non-conventional hydrocarbons (Gas to Liquids (GTL), shale gas, etc.) are material, but will only experience a significant rebound in the context of a stable and higher cycle of oil prices.

The economic slowdown, followed by the financial crisis, led to slump in demand and a consequent reduction in capital expenditures both by international and national oil companies during 2009. It is not yet clear whether projects will continue to be delayed in the future in the same way as in the past year. Upstream companies are now reviewing capital investment programs for forthcoming years. A gradual growth in exploration and production (E&P) expenditure is expected, although significant uncertainty is likely to remain in the market. At the same time, many companies have paused to wait for volatility to subside and some apparent equilibrium to return. The pace and pattern of investment in the future will depend on the fate of the global economy, oil demand and supply balance – determined by the trend of the global economy – and the consequent oil price in coming years.

Another key factor affecting the engineering and construction (E&C) industry is the increased cost of services. These grew

by 20% per year from 2004 to 2008, while global oil production showed a modest 1% growth. Available oil reserves are more expensive than in the past as they are harder to access and technically challenging to develop and produce.

saipem: a distinctive business model

Speculative investors and the smaller players in the oil services industry have been the most exposed to the economic turmoil. However, larger contractors also suffered a decline in their results in 2009 and some may also do so in 2010.

In this context, Saipem's business model has proved more resilient than many, allowing us once again to deliver record results in 2009 and to forecast performance in line also in 2010.

This distinctive model is based on working with strong clients – major national or international oil companies – on mega EPC (engineering, procurement and construction), EPIC (engineering, procurement, installation and construction) or large, complex T&I (transport and installation) projects. Saipem's model also includes using significant local content in strategic countries, with leading project management and engineering capabilities as well as a leading asset base.

For the oil services industry, 2010 is expected to be a transition year with some players starting to recover and others continuing to face performance difficulties. Saipem is confident that it will keep on delivering good results in future years thanks to its strong backlog and its superior industrial model. Even when the oil industry has delivered all of its growth potential, Saipem's performance is still expected to improve, thanks to the bold strategy of continuing to invest during the downturn in order to exploit the next expected positive cycle.

creating value for shareholders

saipem's shareholders

At December 31, 2009, the share capital of Saipem SpA amounted to €441,410,900; it is fully paid up and comprises No. 441,265,604 ordinary shares of the nominal value of €1 each and No. 145,296 savings shares of the nominal value of €1 each. Shares cannot be divided and

saipem main financial results

Despite the negative market conditions of 2009, Saipem's favourable competitive position in areas and sectors traditionally less exposed to the cyclical nature of the market enabled it to acquire new orders during 2009 in quantities sufficient to retain a high level of backlog, which at the end of the year was close to the record figures posted at year-end 2008.

New contracts awarded to the Saipem Group in 2009, less contracts amounts already included in the backlog, amounted to €9,917 million (€13,860 million in 2008). In 2009, the Saipem Group achieved operating revenues (which are the same as 'net sales from operations'), of €10,292 million, an increase of €198 million compared to the previous year.

Production costs (which include direct costs of sales and depreciation of vessels and equipment) raised to €8,714 million, from €8,655 million in 2008 – an increase which was smaller than the increase in sales volumes.

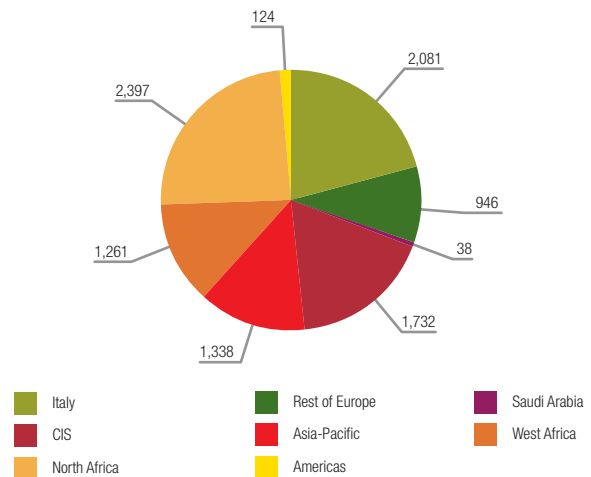
Idle costs increased by €59 million due to an increase in the number of idle days, mainly relating to conventional offshore vessels.

Selling expenses of €114 million showed a slight increase of €5 million compared with the previous year.

Research and development costs included in operating costs increased by €4 million. For any further detail, please refer to the 2009 Financial Report.

new orders

(€ million)



shareholders owning a excess of 2% of capital at december 31, 2009

Shareholders	No. of shares	% of capital
Eni SpA	189,423,307	42.910
Capital Research and Management Co	21,656,293	4.908
Blackrock Investment Management (UK) Ltd	11,363,254	2.575
Alliancebernstein LP	8,981,488	2.035
FIL Ltd	8,898,844	2.016

each share bears the right to one vote. Saipem's shareholders enjoy, and are limited by, all relevant rights afforded by law. Savings shares (with no voting right entitlement) are convertible at par with ordinary shares; they enjoy a higher dividend than ordinary shares equal to 3% or the share nominal value. The Board of Directors decided to propose at the Annual Shareholders' Meeting, set to convene on April 2010, the distribution of a dividend of €0.55 per ordinary share. This payout is in line with those of previous years and represents approximately one third of consolidated adjusted net profits. Based on information available and received and pursuant to 11971/1999, at December 31, 2009 the Shareholders owning a excess of 2% are reported in the table at page 43.

Minority shareholders (not covered by the Act) have the right to ask the board any relevant questions at the annual general meeting or put questions to the board in writing.

dialogue with the financial community

Saipem's Investor Relations activities are based on continuous dialogue with the financial community. This is carried out in compliance with rules and regulations governing the communication of confidential information designed to provide for full transparency and equal access to information. All relevant documents are made available promptly on the Company website.

assessment on international investors using esg factors for investment decisions

The analysis has been conducted with the objective of assessing the key environmental, social and governance factors (ESG) taken into account by investors when deciding whether to invest or not in a company like Saipem.

The investors have been selected as a random sample of European and US specialised ESG and non specialised ESG investors. The former are well known actors in the socially responsible investing community, while the latter are mainstream investors that somehow consider ESG factors when taking investment decisions. Respondents have been 11 out of a sample of 40 investors (asset managers, asset owners and brokers).

The interviews were conducted in the period December 2009-February 2010 via telephone, using a questionnaire with mainly open questions and three main group of issues:

- importance of ESG factors in investment decisions, sources of information, internal skills and external advice;
- main ESG issues, today and in the future, for companies operating in the Oil and Gas Equipment and Services sector, especially those with a strong international business;
- specific comments on Saipem performance with regard to environmental protection, social issues and corporate governance.

The general results of the analysis are summarised below.

On the general investment approach of ESG investors:

- Respondents use a wide range of sources of information – including social and environmental rating agencies, brokers, media – in order to include a company in the investment universe. Among these, direct sources – such as corporate reports, road shows, conference calls – play a significant role.
- The importance of specialised ESG benchmarks is very low. There are two reasons for this: on the one side investors prefer to build their own investment universe in order to offer unique solutions to clients. On the other side, clients demand a full risk/return comparability of specialised ESG portfolios with traditional market benchmarks, namely S&P, MSCI, FTSE, EuroStoxx indexes.

On the most significant ESG factors for investment decisions:

- The most important ESG issues for the sector are prevention of corruption and the contribution to the development of local communities. Regarding the first issue, the importance is considered

very high due to the presence of these companies in regions particularly exposed to bribes risks. The contribution to local development is considered crucial for making business in developing countries, where multinational corporations shall obtain their licence to operate and must avoid delays and time consuming litigations with local authorities.

- Other important issues are those related to human resources, in particular health & safety (in the company's activity but also along the supply chain) and the human capital growth and conservation: the sector needs highly specialised workers and technicians and there is an intense competition amongst companies to employ the best resources.
- Only a few environment related factors are, according to respondents, critical for the sectors. These are the issues that may generate future liabilities and impact the bottom line (decommissioning, land contamination and accidental pollution). Other factors, such as the fight against climate change are considered more critical for the Oil and Gas Companies and are not going to generate a material impact in the coming years.

On the evaluation of social, environmental and governance performance of Saipem.

Respondents have included Saipem in the investible universe with a good, advanced or very good judgement. The reasons for this positive evaluation refer to:

- The contribution to the development of local communities in particular is an area of activity where Saipem has demonstrated high commitment and effectiveness, with programs that encompass the philanthropic approach and, on the opposite, are embedded in the day to day management. This is demonstrated, according to respondents, by the high score in the local content in term of purchase of services locally and in the management of human resources and capacity building for local employees.
- The general positive score of Saipem is also related to the lack of controversies on violation of human rights.
- Some respondents have also identified areas of improvement. These are related in particular to corporate governance (in particular board composition and unclear relation with its major shareholder) and the limited disclosure on some HR issues and internal audit procedures.

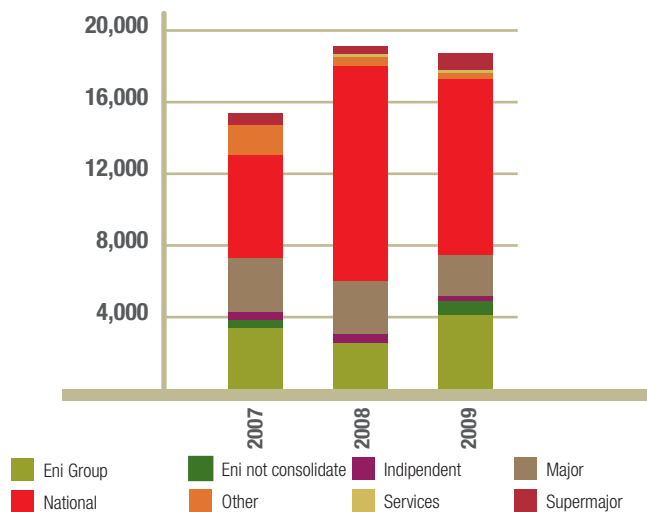
As part of its institutional financial communications, in 2009 Saipem organised 26 roadshow days and attended 9 international investors' conferences and events where company representatives presented the company's activities and results reaching the following cities: Milan, London, Frankfurt, Paris, Amsterdam, The Hague, Edinburgh, Gleneagles (Scotland), Zurich, Geneva, New York, Chicago and Yountville (California). Moreover, Saipem organised an analysts' day in London, where the Company top management met all the main sell-side analysts. More generally, in 2009 more than 500 individuals have been contacted during one-to-one meetings, group meetings and conference call or video conference meetings, including portfolio managers and buy/sell side analysts. Furthermore, more than 450 individuals attended the four financial results conference calls. Saipem recognises the importance of its website for the financial communication. At the beginning of 2010, the new company's website has been fully redesigned and updated, and now it offers more functionalities, a convenient source of published information on the company, together with an e-mail alerting service on the financial calendar.

taking care of client's satisfaction

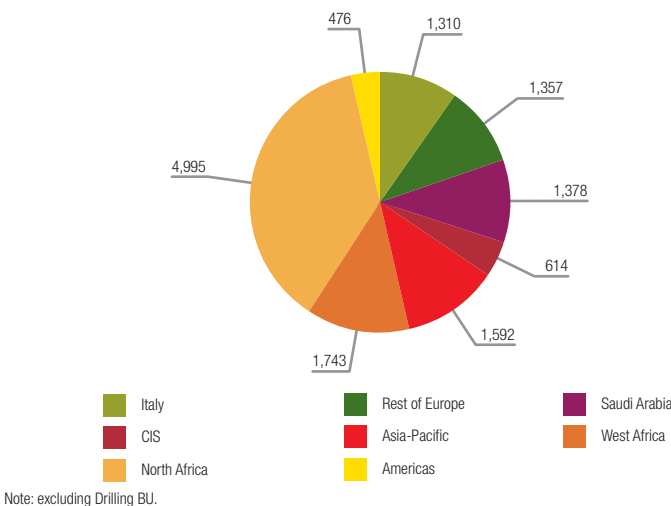
The market characteristics and the clients' profiles have evolved significantly and sometimes rapidly over the recent years, particularly as a result of recent market changes. Today, the following main trends, with drastically different requirements for each client type, have emerged among Saipem clients:

- The emergence of National Oil Companies (NOCs) as the main Company clients, replacing to some extent western major International Oil Companies (IOC) and independents, with headquarters and areas of operations in completely new geographies compared to only a few years ago. These include, for example, Sonatrach (Algeria), Saudi Aramco (Saudi Arabia), Petronas (Malaysia), Gazprom and Lukoil (Russia), etc. As these companies own rapidly growing oil and gas reserves, they are the most active investors in the current market.
- The emergence of a new type of player, born by market consolidation or changing evolving market structure, such as electric power companies moving upstream in the value chain to produce gas from their newly acquired reserves – such for example, as E.On.
- In many cases, the temporary formation of complex special purpose joint ventures between several clients,

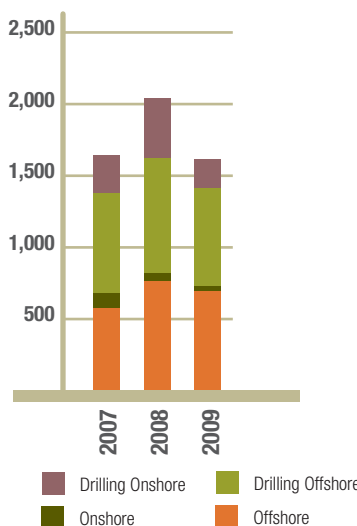
order backlog by customer type (€ million)



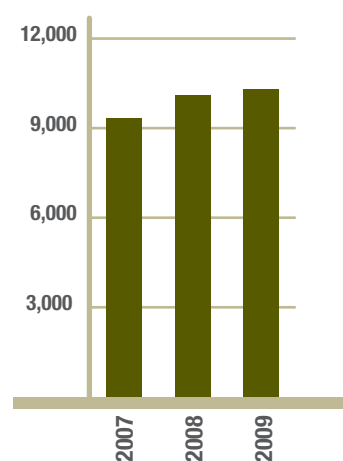
order backlog by geographic area (€ million)



investments by activity sector (€ million)



revenues (€ million)



the qhse forums with saipem's subcontractors

During 2009, the QHSE Forums continued to represent an opportunity for mutual understanding and an occasion for cultural growth and the exchange of experiences between Saipem and its subcontractors. As a result of the ever-growing interest demonstrated by the firms invited to participate, the decision was taken to define an annual calendar for the forums, which in 2009 saw a whole series of events taking place, some of them at international level. This will also be the case in 2010, with events due to take place every 3 months. The programme for each event was structured taking into account the feedback gathered, although a number of areas were kept unchanged. These were Saipem procurement, the impact of subcontractors'

activities on the company's business, Italian legislation and contract requirements.

With the aim of sharing a new approach to safety culture with all of the companies involved, each of the events concluded with a presentation of the 'Leadership in Safety' programme and the film 'The Safer the Better'.

Finally, starting in 2009, the idea behind the QHSE forums was taken one step further with the publication of a newsletter aimed at the exchange of ideas, opinions and experiences in relation to QHSE matters and at maintaining contact with the firms invited to participate in the forums.

companies, typically ad-hoc combinations of NOCs and IOCs. These new special purpose entities, formed for a single large project, which often lack the personality and the tradition of established oil and gas companies players.

Saipem has adapted well to these changing market needs by adopting a varied portfolio of approaches to its customers' different requirements, while maintaining a consistent long-term

strategy, whose main components are:

- Maintain a high degree of flexibility and adaptability to enter or strengthen the activities in new expanding markets, which might acquire increased importance, also by building local execution centres with engineering, procurement, project management and construction capabilities. For example, Algeria, Kazakhstan and Canada in recent years, Libya today and Iraq in the future.



Eda Tekiroglu, Behind the trees

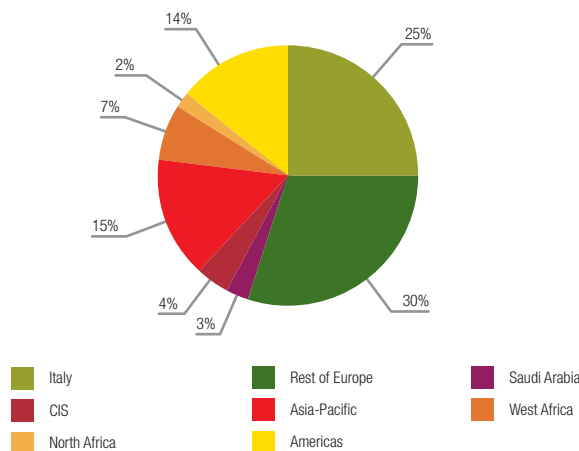
- Flexibility to operate within any contractual model, from performing a single service such as engineering to providing a full service offering, such as design and execution of a complex project on an EPC or EPIC basis, under reimbursable, lump-sum or hybrid convertible contractual forms.
- Increased emphasis and enhancement of Saipem's capabilities to execute the Front End portions of new projects. This is particularly appreciated by some NOCs, that could have less expertise than the established majors in accurately defining the scope of an overall mega-project, or when they prefer to move on a fast track basis from a FEED phase into an EPC one, sometimes with the same engineering and construction company.
- Strategic relationships with some clients, going well beyond single project execution, to embrace sharing of knowledge and experience, 'lessons learned', views and execution strategies, as well as identifying business opportunities of common interest.
- Long-term or Frame Agreements, also containing provisions for co-investment, or for dedicated Saipem investments to back-up clients' needs in the long-term.
- Long-term co-operation with other Engineering & Construction firms in areas of common long-term interest, in order to share the benefits of common know-how, assets and experience. For example, the joint venture Saipar with Parker Drilling Co for drilling, or the developing mode of co-operation with Chiyoda Corp in LNG and other onshore projects.

the new saipem customer satisfaction system

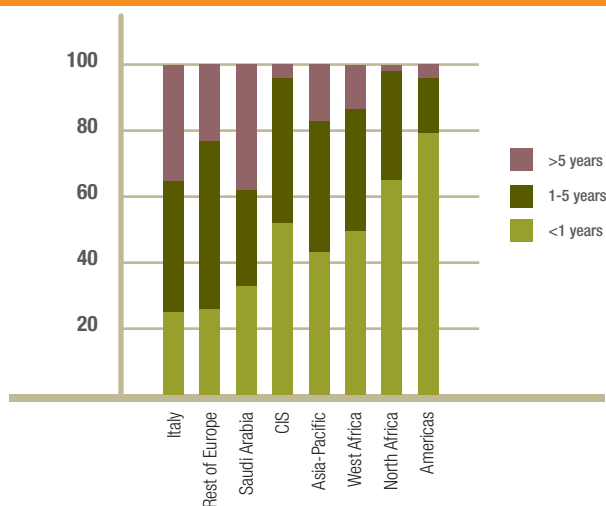
As part of its policy of continuous improvement, Saipem considers the systematic application of customer satisfaction management to be of fundamental importance for achieving first-rate results. Saipem has therefore adopted a new tool for measuring performance and endeavouring to improve upon it. Top Management decided to study and apply this new methodological approach in order to achieve 'continual improvement', which is one of the key concepts set out in the ISO 9001-2008 standard, as follows:

As one of the measurements of the performance of the Quality Management System, the Organisation shall monitor information relating to Customer perception as to whether the Organisation has met Customer requirements' (ISO 9001:2008, § 8.2.1).

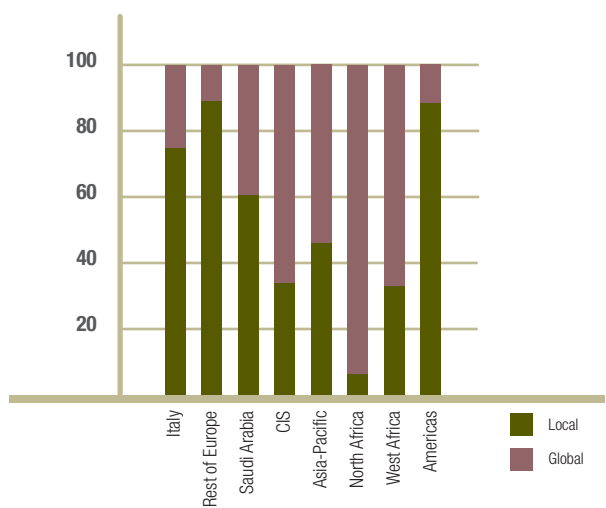
total vendors (%)



active vendors by relationship duration (%)



total ordered by local/global vendors (%)



During 2009, the Saipem Corporate Quality Department developed the new methodological approach and a related tool. It consists of an electronic web-based questionnaire that clients can easily access and which they can use to report their impressions and perceptions of the work done. It is essentially a continuation of the previous customer satisfaction methodology launched in 2006,

which was itself an innovation by introducing a common approach to customer satisfaction in all Saipem companies around the world.

The new questionnaire is flexible, simple, reliable and applicable to all Saipem businesses: onshore, offshore, drilling, as well as integrated and specific projects. It is also applicable to lump sum

interview with solstad

Solstad is one of the leaders among the world ship owners and vessel managers. The Company's aim is to ensure that its clients charter the most suitable vessel for Subsea Operations and other offshore activities.

Solstad's HSE and Sustainability policy together with its expertise and know-how made the Company a key supplier for Saipem's offshore projects in northern seas. This area in fact is particularly critic for climatic and environmental conditions. Besides, there are very strict laws and regulations concerning pollution, particularly for water and air emissions. Solstad Offshore ASA is committed to a policy of continuous improvement, following industry 'best practice' and is one of the first ship owners to have a fleet with clean design vessels and anti-pollution equipment. As environment and sustainable growth have become increasingly relevant in the global economy and even more in petroleum offshore industry, Solstad's HSE policy has helped strengthening the long-term relationship between Saipem and Solstad.

Environment pollution and emissions in the air and in the sea: Solstad's strong policy is very important for Saipem. When have your efforts intensified? Has working with Saipem encouraged you to intensify some aspects of your Environmental policy?

'Solstad obtained ISO 14001 certification in 2005 and since then our efforts have intensified. One of the key obligations in this certification is to maintain a strong internal focus on environment as well as a commitment to seek co-operation with clients and subcontractors with concurrent focus on environment. It has been an important factor for our clients when selecting vessels for charter. Parallel the introduction of SCR's (Selective Catalyst reduction – one of the most cost-effective and fuel-efficient diesel engine emissions control technologies available) has made our vessel more attractive for our clients. Most of our clients encourage us to intensify our environmental policy, Saipem is definitely among these. Examples of our efforts in this direction are reduction of fuel/emissions during vessel operations (pipe-haul and DP operations in particular) as well as adapting to severe environmental regulations in sensitive operational areas (typically on the North Stream project). Throughout the fleet renewal program, diesel electric propulsion systems have been applied in our fleet thus making our vessels more efficient at.'

How do you accomplish and satisfy your formal commitment to reduce pollution generated by your vessels?

'A key element for us has been 'if you can not measure it, you can not manage it!'

We therefore have implemented a series of actions and continue to improve. Examples among our main sustainability policy drivers are: dedicated personnel working on environmental issues; waste segregation and focus on recycling on all vessels and onshore facilities; focus on use of 'green' chemicals and lubrication oils; internal environmental campaign focusing on fuel consumption 'Solstad green operations'; monthly reporting of waste, waste types, exhaust gas emission, annual and quarterly reports; attitude campaigns to strengthen our employees focus and commitment to environmental consciousness; working closely with suppliers to seek optimal solutions in terms of environmental and economical issues.'

How do you manage relationships with various actors of Sustainability – e.g. HR, Customers, Suppliers, Media, Financial Stakeholders? Do you have formal and certified procedures for these activities?

'We are committed to apply similar regulations on our suppliers as we apply on ourselves. Great value has resulted from our yearly top management meetings with main suppliers: it was not a surprise to discover that having sustainability on the agenda was highly appreciated. Within our company we give great importance to training, up dating and commenting on key issues of our offshore activity. We therefore invest resources in yearly company conferences with officers and crew, training schemes, Intranet management to keep everyone informed. Recruitment and training of new personnel receives great attention from all company departments: actually 10% of offshore personnel is under training program. To prevent and correct any nonconformities, internal audits are a commonly accepted practice which receives cooperation from all staff. We aim to be a reputable employer and have well satisfied and integrated staff.'

From a commercial and technological point of view has Saipem requested actions or precautions that differ from the average requests of other customers?

'We do have a close and long-term relationship with Saipem and we are jointly committed to optimise and deliver solid and competitive operations and solutions. Some of the operations we carry out with Saipem are complex subsea operations that require tailor made solutions. On the basis of our commercial relationship and of our approach to environmental and sustainability issues, we appreciate and share Saipem's strong, transparent and clear Sustainability policy. We have in facts solved some complex environmental situations together, as in the North Stream project where the area of operation requires zero emissions to sea.

On this basis Saipem and Solstad have implemented solutions where the supply vessels tank capacities are used for storage of material to be transported to onshore facilities for further processing. This is only one example of a successful cooperation. Generally speaking it is really satisfying when we work together on a project where the human, technical and operational challenges are of a kind where the respective capacities are used to their full extent and the project is carried out according to everyone's expectations for safety, operational and commercial aspects.'

turn key projects and engineering-only projects in all parts of the world and for all operating companies. Completing the questionnaire does not require a great amount of time. A few simple answers are sufficient to enable the Corporate Quality Department to analyse the results and capitalise on the client's feedback as part of the new internal process. Once the completed questionnaire has been received, the score is analysed. The analysis includes calculating the mathematical average of the score in order to obtain a global satisfaction index. However, the result, behaviour and performance for individual disciplines are also analysed for each single operating company/hub, business unit and client.

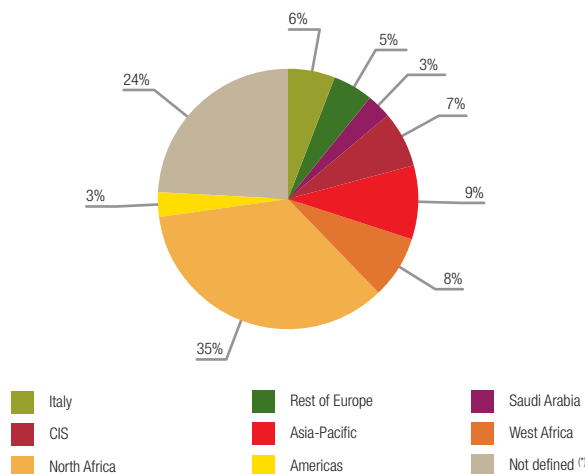
The number of questionnaires received is of critical importance: the greater the amount of data, the more accurate the perceptions and impressions of Saipem's performance. For this reason, it is advisable that all company quality managers as well as all project managers actively participate and sponsor the methodology. The Saipem Corporate Quality Department strongly believes in this approach. In the past, client judgements and feedback have enabled Saipem's companies to prevent errors and unsatisfactory performances on future jobs as well as contributing to improvement by generating positive results.

strategy towards suppliers

Saipem's efforts in 2009 have been particularly concentrated on areas which are becoming strategically important in the oil and gas market. In such places, Saipem has established sourcing centres and procurement departments that are highly integrated with the economic and social environment. Through these centres and departments, Saipem is sharing its knowledge with local vendors in order to develop partnerships. Saipem's extensive experience, accumulated from projects in over 100 countries worldwide, makes the company an industry-leader in technology, project management expertise and quality. The Company aims to share its expertise with suppliers so they can meet the standards required to provide it with goods and services.

total ordered in 2009 split by geographical area

(%)



(*) Project Area n.a. includes cost centre spent and asset project (investment, maintenance, etc.)

china case

China is a very important country in Saipem's strategy towards suppliers, having grown rapidly to become one of the world's greatest economies. Like many other countries, China is facing considerable challenges, but it also represents a significant opportunity for companies which are working to meet energy demand and countries that are seeking a major export market for their energy products.

In line with the principle of 'common interests', Saipem's vendor management policy is directed to profitable and successful cooperation with Chinese companies in order to increase competitiveness.

Saipem has pursued a rigorous qualification campaign for potential suppliers, obtaining clear quantitative and qualitative results. Saipem has developed a co-operation program through which vendors learn and apply international quality standards for their products and services. Activity to develop valuable cooperation with local vendors intensified in 2009, seeking to accomplish local market growth and meet Saipem's needs.

Two very significant examples of progress have been an agreement signed with Sinotrust for financial services and the participation of some strategic vendors, especially in construction services, in Saipem's in-house Leadership in Safety training.

Saipem has worked with Sinotrust to develop a financial and risk management tool which enables the company to compare its indexes and parameters with the widely applied evaluations issued by Dun & Bradstreet. Saipem has cooperated with Sinotrust's professional staff to produce the tool, which takes the form of a matrix in which indexes and parameters are translated into values and ratings globally used in the Saipem Group. This has given a great advantage to Sinotrust as it can compare itself with international competitors and markets, while for Saipem it meets the essential need to have the same evaluation standards everywhere.

In order to reinforce the safety culture, Saipem invited some key Chinese vendors to participate in the Leadership in Safety training program focalised on managing technological risks, improving workplace safety and health, and enhancing product transportation safety.

people management in saipem's world

interview with dr. d. gallinari – senior vice president human resources, organisation and systems

The management of human resources is a key factor for Saipem's competitiveness, and represents a strategic lever for achieving production targets.

The new organisation of the Human Resources, Organisation and Systems Department is designed to further optimise this strategic factor. What are the particular aspects and strengths of the new set-up?



that foster the professional growth and development of its human resources as well as reinforcing their level of motivation, satisfaction and involvement. A huge focus will be placed on developing and reinforcing technical and managerial skills by defining special training schemes and development plans for the professional roles that are 'critical' for the business. The processes whereby know-how is transferred and disseminated

Essentially there are three drivers that guided the recent reorganisation of the Human Resources, Organisation and Systems Department. They are:

1. The completion of a process designed to achieve closer alignment with the business and improve the timeliness of our reaction to business needs, combined with an understanding of the specific imperatives of each operating and managerial sector. This process was started in 2008 with the establishment of the HR Management Business Unit and the Career Management Business Unit and completed last September through the strengthening of the organisational structures, the delegation of additional processes and by giving BU-HR Managers increased action-taking and decision-making powers.
2. The redefinition of the Corporate structures in such a way as to reinforce, optimise and enhance the policy-forming, coordination and control processes.
3. A focus on HR 'basics': mapping, analysis, training with regard to essential cross-functional competencies for the entire HR community of the Group; the definition of new interfunctional and geographical mobility schemes, facilitation of cross-fertilization and collaboration between operating and corporate entities, central and peripheral units, and between management, development and organisational roles.

Saipem has always been committed to developing competencies and professional skills wherever it operates, at all levels of the organisation. Considering the current market situation and employment policies at international level, what are the challenges that the Group expects it will have to face over the next few years and what are the tools that will be deployed?

The international economic crisis and resulting contraction in demand experienced within the main manufacturing sectors and reference markets represent major challenges that Saipem will be called on to face in the near future. For our company, the investment in human capital will certainly represent one of the main processes through which we can consolidate the creation of value, as well as being an aspect that will help us stand out from our main competitors. This is particularly true for our onshore business, where the technical and managerial skills of our personnel play a priority role, compared to the offshore and drilling activities where the assets clearly also play a fundamental role. The ability to attract, develop and retain critical skills within the company will increasingly represent a critical factor for success and it is for this reason that Saipem will be ever-more committed to defining activities and tools

within the different areas of the Group will also be reinforced through improvements in the communication systems made possible by technological innovation.

Lastly, the sense of belonging to the company, which has always been part of our *modus operandi*, is a factor for the success of our policies which must not be overlooked. The special nature of our operating activities – the fact that our personnel share their daily lives together on projects and that even staff personnel are close to real operations – is an aspect which is important to us and which we are committed to maximising.

In order to create value through human capital, particularly in a multinational such as Saipem, diversity must be considered strength. What are the management tools that allow Saipem to work successfully in such a diversified geographical, cultural and gender context? What are the specific objectives in this regard?

Worldwide, Saipem currently employs more than 38,000 individuals of 114 different nationalities, of which 60% operate in their country of origin, and this is one of the true strengths of the company compared to its main competitors. If we look beyond the numbers and at Saipem's history and DNA in general, we see a company that has always sought the collaboration and involvement of entities and local communities in the countries in which it has operated and still operates, fully respecting the value of diversity. Our operating projects are always accompanied by technical and vocational training schools and long-term local investments. These are numbers and strategies that could not be achieved with an approach that was restrictive in terms of cultural, racial or religious diversity. In addition, Saipem has always adopted human and professional values and practices that have facilitated and promoted growth and development in the specific local contexts in which it operates (see, for example, the issue of collective bargaining).

In some countries that are key to our business, where Saipem's history started many years ago perhaps with just a single project, today thousands of people work in an operational environment that is fully integrated into the local context.

Every year Multicultural Team Building and Team Management initiatives are organised in the main company offices, but it is 'on the job', directly within projects, that the advantages and richness of diversity are developed and can be recognised: in the transnational teams for the design of a mega-plant, in the canteens onboard a vessel or in a field in

the desert. We are not talking about a theoretical management strategy for diversity, but one that is primarily based on experience, consisting of sharing common objectives for mutual success, in industrial and professional terms but also in relational and human terms. That's why Saipem encourages mobility and invests in the countries where it operates, and why Saipem has continued to have a presence for decades in countries such as Nigeria, Algeria, Saudi Arabia – countries, peoples and colleagues whose economic, social and civil fortunes the company has shared in and been a part of.

Respect for diversity is also the keystone of Saipem's policy towards the employment of women, who are not excluded in any way, despite the fact that the specific nature of our operating activities, which involve working in sometimes difficult social and geographical environments, does not necessarily help us in this sense. We believe that clarity and parity of treatment of personnel, whether male or female, as well as fairness in terms of the assignment of duties, is a further sign of the company's fair and consistent approach.

Are there any particularly significant cases that in your opinion sum up Saipem's philosophy in the development of human resources and local content?

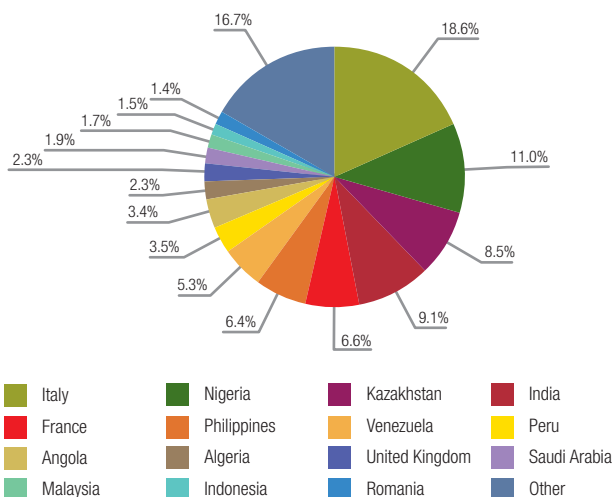
For Saipem, developing a local content initiative means creating value not just for the project but also – and above all – for the resources involved, offering opportunities for social and economic growth and development.

In this regard, the company has always made a special effort to ensure the implementation of integrated projects for the selection, training and development of local resources in order to ensure the presence, in the medium-term, of the necessary technical and professional skills and the achievement of satisfactory performance levels.

Testimony to the company's commitment in this regard are the projects implemented, for example, in Kazakhstan and in Angola which have led to the definition of agreements and collaborations with schools, universities and local training agencies for the provision of cross-functional and specialist training, thus facilitating the development in the medium-term of local resources capable of covering key managerial and technical positions to replace expatriate and international resources.

Training centres such as the one recently set up in India or those soon to be set up in the Far East, North Africa and Latin America, dedicated to the development of professional skills critical for our business, will not only represent important points of reference for training initiatives conducted at a local level, but will also constitute centres of excellence for the creation and dissemination of technical expertise within the Group.

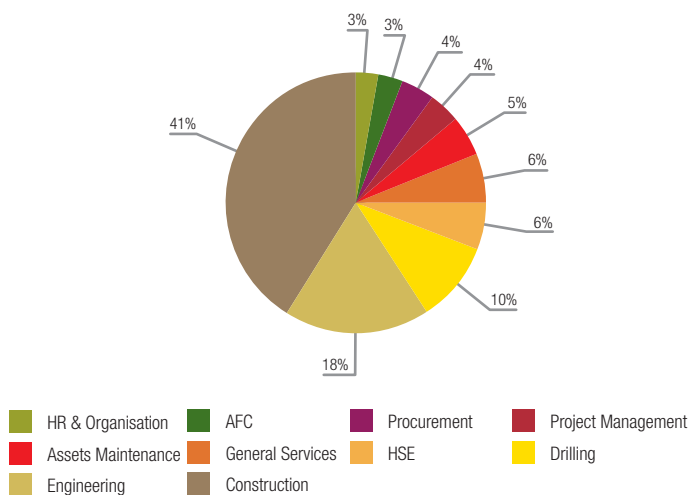
workforce composition by nationality (%)



workforce composition by category (%)



workforce distribution by professional area (%)



overview on saipem's people management

In Saipem, people are the most valuable asset, the secret of Saipem's success rests within each person, in their motivation to develop while working in an environment that is challenging and fair, to grow and get to places where others don't; a working environment that offers equal opportunities based on merit criteria, with no sexual, racial or gender discrimination. Saipem seeks to realise these objectives, aimed at maximising the value of human resources while assuring fair systems that are tailored to individual expectations, performance, motivation, potential and personal characteristics, by means of a human resources development and management system that is constantly enhanced. In continuity with the re-organisation deployed in 2008, Human Resources Function during 2009 has completed the new model, strongly business driven, strengthening and empowering the BU-HR Management entities both on the Personnel and Career Management sides to facilitate the implementation and the continuous improvement on Saipem's core pillars: Talent Attraction & Retention; Training & Human Capital Development; Local Content; People Care.

training centre india

In the last few years India has become an emerging force in the global business market and a strategic area for investment, largely due to the country's substantial pool of young engineers and technicians, whose proficiency is highly evaluated worldwide. Saipem therefore decided to invest in creating a Training Centre in Chennai, which was inaugurated in December 2008. Its aims are: addressing the shortage of skilled people; meeting Saipem's needs to develop human resources for the medium to long-term, both in mega-EPC and EPIC projects; becoming more competitive and contributing to better business performance; sustaining project and technological development; and retaining employees.

The 2009 training program has focused on the development of professional skills required by the roles of three main professional areas: Project Control, NDT and Contract Administration.

The training has been designed with a classroom course of theoretical lessons and a period of on-the-job training on Saipem projects worldwide.



Vladyslav Nazaruk, Weightless Safety Officer

project control training

This course started in January 2009, involving 10 young local participants with a maximum of three years experience in the oil & gas industrial field and with educational backgrounds in chemical, mechanical and civil engineering. The training has been divided into two parts. The first part consisted of a 15-week classroom course covering project control, cost control, internal tools & technicalities and a basic or advanced course in Primavera (P3) software, according to participants' familiarity with it. The second part of the training consisted of five months on-the-job training, in Italy, Nigeria, Kazakhstan or UAE. The aim has been to enable participants to develop the required technical and professional skills, to manage the risks and opportunities of worldwide projects, to provide quality reports and to control projects according to plan in terms of schedule and costs.

non destructive test training

This training started in January 2009 with the participation of 14 Indian graduates in Engineering of Materials or Mechanical Engineering. The training consisted of a one-month classroom-based induction on basic tools of NDT; a one-month of practical course held in an equipped workshop in Chennai; and then six months of on-the-job training in Saipem projects in Croatia, Congo or Kazakhstan. The training program was practically-oriented and dealt primarily with the basic principles and technicalities required to apply the NDT processes properly.

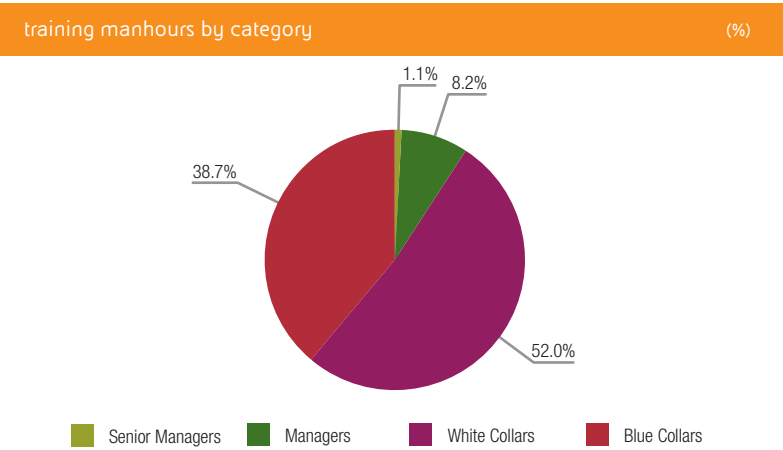
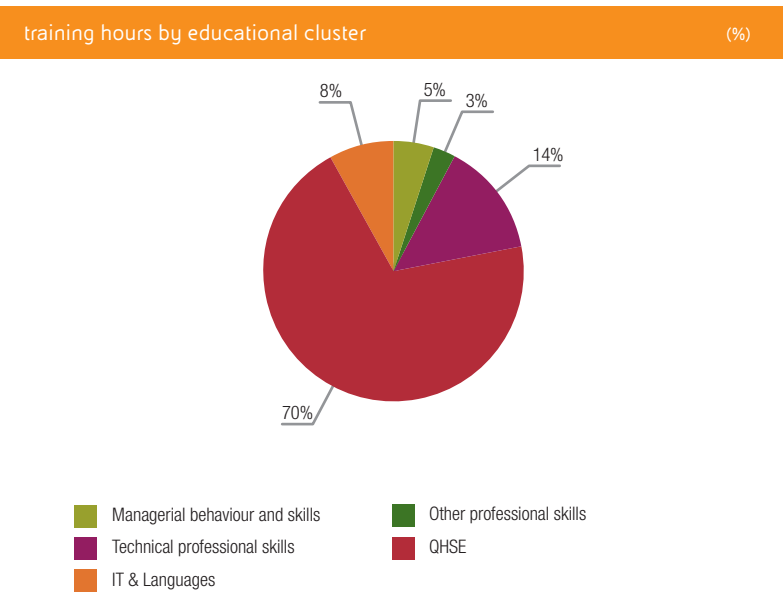
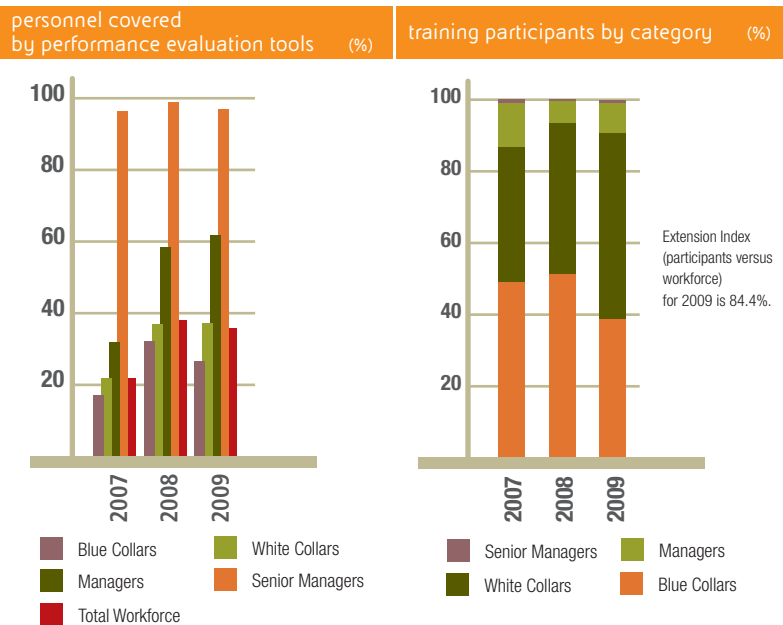
contract administration training

This training program started in June 2009 with the aim of introducing 10 newly recruited Indian graduates to the theoretical and practical aspects of the contract administrator's role including clause interpretation, claim management and drafting of contractual letters. The program also included an introduction to Saipem's business and projects.

The program began with a two-week classroom course, providing a clear insight into contract conditions and services, legal factors, risk and financial understanding, and the basic technicalities of project management studied through real case studies and lessons learned. It then continued with five months on-the-job training on projects in Italy, Nigeria, UAE, Kazakhstan and Egypt.

The feedback for the pilot sessions has been positive and participants have considered it worthwhile and empowering: 32 out of 34 trainees completed the program and are now under evaluation for new contracts within Saipem.

These programs have helped new Indian recruits to take





Davide Regazzoni, Welder Foreman

advantage of learning opportunities that align their development path and the company's business, helping to shape their future within Saipem's international environment.

efesto: saipem's recruiting portal

The idea of designing and launching a recruiting portal first arose in summer 2007 when it was difficult to recruit offshore crew without resorting to external consultants, giving rise to high costs and often relatively low benefits. At that time Saipem decided, as a test, to post a job advertisement on the company website. The response was strong enough to convince Saipem to create, design and implement a recruiting portal, which has been named Efesto.

Efesto is a flexible tool, able to meet multiple demands and respond to different local requirements, respecting the traditions of various cultures. It is also a vehicle for information and networking.

Efesto has a global reach, being able to promote Saipem's philosophy and culture all over the globe through the Corporate home page. At the same time, it allows the different Saipem companies that implement the portal to enrich it with local content. In this way Efesto conveys messages to local communities about employment opportunities, training and future development in Saipem's multicultural environment.

The portal helps both Saipem and job-seekers by collecting and filling candidates' details for present and future vacancies. Candidates applying through Efesto can update their own résumés whenever they consider it be opportune, contributing to the quality of the portal database and staying in touch with the company.

Another benefit of the portal is the ability for all candidacies to be visible to all Saipem recruiters, regardless of their geographic location and their native language. At the same time it allows people of different nationalities to apply for career opportunities in all the countries where the portal is active.

The challenge for Efesto in the future is to optimise the potential of the portal by having it promoted and widely used throughout Saipem's companies.

internal communication

Several new editorial initiatives are now joining the Corporate magazine 'Orizzonti', which has been published quarterly since 1992. These publications focus on activities conducted at local level by Saipem companies, emphasising the contribution of internal people. These include the News Express, printed and distributed in France, the Sangati, the electronic bulletin of SIP in India, and the most recently launched publication, the newsletter of Saipem do Brasil.

One of the most significant publications in term of circulation and distribution is 'Mono', the magazine published by Saipem Operating Companies in Nigeria (more details in the following page).

security for people and assets

Saipem is always careful to assess the potential risks faced by operations in countries where there have been security problems. To regulate and manage security related issues, in 2008, Saipem adopted a set of Security Guidelines, which has respect of Human Rights as its cornerstone. This is in line with the principles set out in Eni's Security Regulations Code.

Within the context of sustainability, one of the primary objectives of the guidelines is to ensure Saipem's adherence to the 'Voluntary Principles on Security and Human Rights'. The security function is committed to training security personnel in respect for human rights, as well as inserting clauses on human rights in contracts for security service providers.

As a common service for all the business units, the Corporate Security function works on:

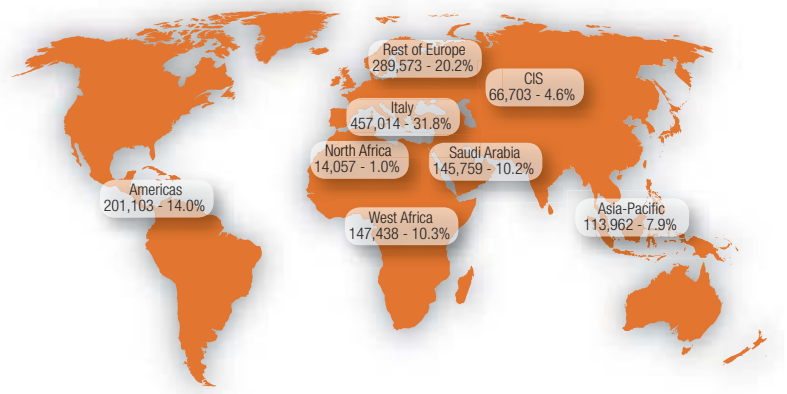
- technical and operational support for the organisation, including management and monitoring of the security system in Italy and abroad;
- supervision of correct implementation of security policies, plans and procedures;
- development of a corporate security culture: a security channel has been opened, which is easily and immediately accessible on the corporate intranet portal, allowing for the rapid spreading of information on security organisation and procedures to all personnel;
- tracking the presence of Saipem personnel in each country, and guaranteeing a constant flow of information on the security status of each country where Saipem operates;
- providing information to personnel working abroad, including specific instructions concerning the situation in particular countries and the local security procedures in force. In addition, once employees arrive at their destinations, more detailed security information is provided by the local security officers through special security inductions on the operating procedures in force locally.

In accordance with the adopted security policy, the company is responsible for ensuring that its sites are properly protected.

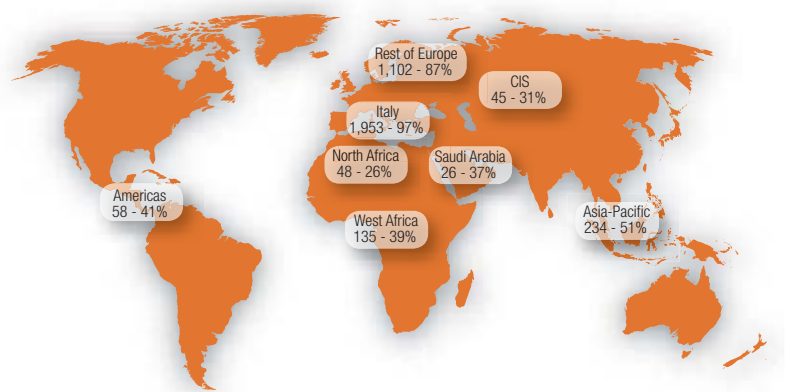
Security risk mitigation activities are based on different elements: prevention, information and equipment. Security units hold periodic meetings with local communities in high risk countries to help create a safer climate for company operations and enable them to assess which protection measures to adopt. The meetings provide a useful opportunity to listen to the needs of community leaders – principally legitimate requirements regarding employment opportunities – and create the conditions for a climate of mutual trust, which represents a key element of the Saipem security strategy. People from local communities contribute to ensuring security locally. The aim of making locations secure is to protect the integrity of the company's tangible and intangible resources. This is carried out through a process which is organised into assessment activities, engineering, construction and finally certification. The process must be undertaken for all projects underway, with priority for sites of importance or located in countries at risk, such as:

- all new projects, such as start-up activities in new countries;
- development of projects from pre-existing ones;
- location of new headquarters, new accommodation or substantial changes to headquarters.

manhours training and percentage of training for local workforce vs total



number and percentage of local managers on total managers



mono



The in-house magazine for staff of Saipem companies in Nigeria was launched in May 2006 in order to encourage and motivate local staff and showcase the company's efforts to boost local livelihood opportunities, develop local skills, promote local partnerships and strengthen the local skills base.

'Mono' means 'Oil' or 'Crude Energy' in Ikwere, the language of Saipem's hosts in the Rumuolumeni community, while in English 'Mono' means 'One', signifying the oneness of the company's spirit.

In all the editions published so far, there has been a spotlight on Saipem's encouragement for local businesses. This includes sourcing local inputs as well as identifying training needs, financing training and sponsoring local and international workshops that contribute to Nigeria's strategy of Nigerian Content Development.

The editorial team is drawn from the Logistics Department and the magazine chronicles the spirit, diversity, work ethic, projects and community activities of the various Group companies. 'Mono' always features the company's projects in ways that emphasise the development and use of local capability; the considerable investment in human capital being made to give Nigerians every possible opportunity to aspire to reach the top hierarchy of the company. 'Mono' also features the celebrations and special events in the lives of people within the Saipem family, including birthdays and wedding anniversaries. One section is devoted to pictures of events.

The magazine is distributed at the company's offices and project sites and during conferences or exhibitions which Saipem attends.

saipem's safety imperative

Each of us make choices everyday – at work, at home, travelling between the two. Our choices and behaviours tend to define us, who we are, and ultimately what happens to us. I want to take this opportunity to say this to you: you are always empowered to make the choices which you feel are the safest. And you are also empowered to intervene when you feel that safety is being compromised. This is has to be clear across the organisation.

Being safe is the only way to be; it is our right and responsibility. Taking care of yourself and your colleagues comes first. Have no second thoughts about it.

I strongly believe that we can make our Company safer and therefore better, by helping each other. By being leaders in safety and working towards a common vision. A vision where health & safety is simply a way of life, not just a procedure. We work in a challenging and dangerous industry, an industry in which we are a global leader. As I already said on various occasions, we have also to become a global leader in terms of health & safety.

Quote from Dr. Tali's speech with the occasion of **World Day for Health & Safety at Work** (Promoted by the ILO) celebrated in Saipem on April 28, 2009.

safety performance

Safety is the top priority in Saipem's work. The Company aims for a healthy and safe working environment. Safety campaigns, HSE initiatives and the implementation of safety best practices have become integral parts of the work.

Sadly accidents still occur in Saipem activities. Two accidents with fatal consequences occurred on Saipem projects in 2009. Both victims were Saipem employees. One of the accidents occurred during drilling activities in Venezuela when an employee was struck in the chest by the drill pipe. The second accident occurred in Algeria when an employee suffered an electric shock as a crane boom came into contact with overhead power lines.

Even though the fatal accident rate decreased compared to previous years, reaching 0.86 in 2009, Saipem is continuously focused on reaching a target of zero fatal accidents. The lessons learned from the two tragic accidents in 2009 have been built into Saipem's risk analysis and led to a series of measures implemented on all similar activities that Saipem conducts worldwide. These measures involved updating operational and safety procedures, workforce training, and the delivery of leadership in safety sessions to management, including the 'five stars' training on how to intervene in potentially unsafe situations. In 2009 a series of Safety campaigns were launched at all Saipem

leadership in safety - 2009 in brief



During 2009, Saipem's Leadership in Safety program continued its global approach to disseminating the group's Safety Vision, and securing the commitment of its managers through locally sponsored workshops. Since the initiation of the LiS workshops in late 2007, over 300 workshops have taken place, spanning 31 countries with 4,500 leaders participating.

This year Saipem also focused on the second and third phases of LiS (references on the LiS first phase on the 2008 Sustainability Report and on Saipem website), designed to carry messages of LiS to the entire workforce, and develop the skills of employees to carry out safety interventions effectively.

Managers who had previously been through the experience of a LiS workshop demonstrated their openness and passion for safety to their own teams around the world. Through specially designed 'high influence' events – LiS phase 2 – and utilising a 'cascading tool' provided by the LiS Development Team, the population of Saipem is increasingly understanding that safety is the most important value within the organisation.

Developing people's skills, along with building a foundation of confidence, is a vital step toward developing a culture where everyone speaks up for safety, and everyone's voice is heard. As a direct follow-on from the management cascading events, employees have been trained to intervene when safety is at risk through a technique called 'Five Stars' - LiS phase 3. A four hours interactive training session, facilitated by internally trained Saipem QHSE professionals, provides employees at supervisory levels and below with the skills to intervene appropriately. Five Stars training has been ongoing across the organisation and through all Saipem's business units at local levels, completing the first wave of ground-wide initiatives and engaging every employee with LiS.

During 2009, Saipem has increasingly extended the implementation of LiS at local levels to subcontractor and client personnel, across all three LiS phases, creating a common alignment on organisational priorities and fostering a wider community that is united in achieving high health and safety practices.

Throughout 2009, the LiS Development team, along with Saipem's Senior Management, has been working toward the development of a new LiS innovation, less public, but designed to penetrate the core of Saipem's culture. During 2010, a concise set of 'Leading Behaviours' for safety will be promoted through the organisation, intended to become ingrained as part of every day life and established as 'the way we do things' in Saipem.

key events in 2009

board of directors show commitment to achieving the safety vision

QHSE Senior Vice President, Dr. De Sanctis, presented Leadership in Safety to the Saipem Board of Directors in July, at the request of the Chairman of the Board, Mr. Mangiagalli. Following the

presentation, each Board Member signed the Saipem Safety Vision as a demonstration of their own commitment. In a statement to the LiS News Magazine, Mr. Mangiagalli said:

'The words of the CEO in this film should be a beacon for us all to work towards, I fully agree with his statements. There is nothing more important than creating the right safety culture through our company. Achieving this requires commitment from everybody, at every level.

The Board of Directors must be fully committed to achieving the Saipem Safety Vision, and we offer our support to anyone who strives to achieve it. Our goal is to be profitable and competitive in our business, but not one of us can claim any amount of success if whilst reaching our targets, we hurt people.

Saipem and its people now have clarity on the priorities we all have to pursue with the compelling message that 'taking care of yourself and taking care of your colleagues comes first': excellence in financial results will be the natural and direct consequence. This must be at the front of everyone's mind in every single decision they take.'

leadership in safety wins the saipem innovation trophy

The LiS Development Team was very proud to receive the Saipem Innovation Trophy for 2008, giving great internal recognition to the project. Awarded annually for the best idea successfully implemented during the year, the purpose of the event is to foster innovation by rewarding people who introduce positive innovation into company activities (see more details on page 70).

leadership in safety and world safety day

The World Day for Safety and Health at Work is an international campaign to promote safe, healthy, and decent work. This year, as in previous years, events took place worldwide to support these efforts. Industries all over the world were invited to join in promoting this important day.

With the theme of this year's campaign being 'Health and Life at work: A basic human right', Saipem's CEO, Pietro Franco Tali, took the opportunity to send a personal video message to Saipem's employees, highlighting the importance and priority of looking after not only their own safety and health, but also that of their colleagues.

On April 28, 2009, Saipem mailboxes globally received a link to Mr. Tali's video speech, in which he delivered messages of empowerment in safety, encouraging the audience to embrace safety leadership in order to generate a global culture of care.



little leaders in safety (llis) south america

The Little Leaders in Safety program was extended to Peru in 2009, where project staff and their children were invited to spend a day targeted on 8 safety topics tailored for children. Activities included designing 'be careful daddy' posters for their parents' worksites, learning about the danger of heights and first aid training, with a worksite visit at the end of the day.

This approach uses the special relations that coexist between children and parents to connect workers to safety emotionally: the power of the child's love to change the attitude of his or her parents, and the impulse of parents to protect their children's well-being. In total, 60 children attended the two events, all of them being children of Peruvian employees, promoting better safety in future projects within their local area.

safety performance (saipem personnel and subcontractors)



In terms of overall safety performance for the entire workforce of employees and subcontractors in 2009, the Lost Time Incident (LTI) frequency rate was 0.48 and the Total Recordable Incident frequency rate was 1.93. Both indicators are calculated per million man-hours. The established target for 2009 was achieved for accidents which generated days lost, but the number of total recordable incidents increased. This result has given rise to considerable concerns regarding minor incidents and this has had an immediate effect in the form of a greater concentration on identifying and analysing the most common areas of failures.

leading indicators

	2007	2008	2009
Safety Hazard Observation Cards	154,620	195,327	239,871
Tool Box Talks	264,859	400,374	374,606
HSE Meetings	29,502	32,135	36,463
Job Safety Analysis	154,816	200,308	146,131
HSE Training Hours	791,322	1,074,231	861,623
HSE Inspections	100,205	123,853	110,173

Apart from the recordable incidents, Saipem's safety performance methodology includes monitoring leading indicators – namely, numerical values of safety measures which, if applied, help prevent accidents occurring. Some of the leading indicators followed the overall trend of projects. The conclusion of some important onshore projects led to a significant decrease in worked hours and numbers of personnel involved and this had impacts on the number of training hours provided, tool box talks held, and job safety analyses undertaken.

leadership in safety data

	2006	2007	2008	2009
LiS trained Facilitators	7	6	16	12
Workshops Performed		22	153	133
Number of Workshop Participants		272	2,318	1,833
Number of Cascading Events			17	169
Number of Cascading Participants			400	7,668
Five Stars Train the Trainer Participants			11	58
Number of Five Stars Training			12	94
Number of Five Stars Participants			126	1,159

projects to identify hazards which generated safety failures and eliminate or reduce the risks to a level as low as possible. These campaigns included subjects such as: dropped objects, working in confined spaces, asset integrity, and transfer of personnel.

committed for health promotion

A dynamic Health Management System operate at Saipem worksites with the vision of protecting employees' health and ensuring that individuals maintain the optimal psycho-physical condition that is essential to attaining a high standard of work performance. Qualified health professionals, most of them nationals of the countries where the company operates, manage the implementation of health projects and services that are not only designed for Saipem employees but in some cases extend to the host communities as well.

Health initiatives implemented in Saipem's operating units include a program designed to prevent heart related diseases, including telecardiology and an anti-smoking campaign. This cardiovascular program is designed for all employees – both expatriates and local staff – with modifiable and non-modifiable risks of cardiovascular diseases. Telecardiology is available at Saipem projects in remote locations and frontier areas. It provides both real time and asynchronous interpretation of electrocardiograms (ECG) by specialists and permits Saipem's health units to be supported by a cardiologist. This service is not only intended for emergency management. Above all it is intended for monitoring of people at risk, enabling them to lead longer and better quality lives.

The anti-smoking campaign is equally important in the cardiovascular program. It is fully enforced among all company entities with the commitment of transforming smokers to non-smoking employees and promoting a smoke-free environment and healthy lifestyle, not only for their benefit and that of their families, but for the entire working community of the company. The campaign covers several phases of activity. The primary phase is to provide information about the risk of tobacco smoking, with the goal of encouraging employees who smoke to cease smoking and submit themselves to counselling and rehabilitation. Simultaneously, anti-smoking posters and leaflets have been distributed to operating sites with instructions to display them in strategic places such as recreation areas to enhance the No-Smoking culture within the company. The QHSE Health portal dedicated a webpage specially to this campaign. Furthermore, once the smokers intend to quit smoking and submit themselves voluntarily to the Quit-Smoking Program, the company provides group psychotherapy, counselling, nicotine replacement therapy and follow-up management.

Saipem Mediterranean Services (SMS), the company which pioneered the implementation of this campaign, initially involved all of its employees on the program and a number of its smokers successfully completed the entire course and quitted the habit. As a consequence of this fruitful venture, SMS extended this program to the local community. The company presented this campaign to the Croatian National Institute of Public Health - Primorsko-Goranske County and offered to become a partner in disseminating this program to the entire region where SMS premises is located. The Health Ministry accepted the offer and has become Saipem's peer-to-peer partner in implementing Stop smoking Campaign. Initially, the partners created several posters in the local language and distributed them to the entire health facilities of Primorsko-Goranske County. The posters were also displayed on the Croatian National Institute of Public Health website. In the future, SMS and the Institute will present this campaign not only at local health facilities but to other local organisations such as schools, workplaces and government agencies.

miogate 2nd edition

Saipem has helped to create the world's first university course to deal with health issues in the oil and gas industry. The course is called Miogate – the Masters in Oil and Gas Telemedicine and Telepharmacy – and was created by Saipem and Camerino University. It has been offered to health professionals working on

malaria control program

The Saipem approach to fight malaria is based on the principle A (Awareness), B (Bite prevention), C (Chemoprophylaxis), D (Diagnosis and Treatment). Once all these elements are implemented into the operational practice, a good target can be achieved. Saipem has therefore adopted a Standard to prevent malaria which is implemented in all high risk areas.

Further to this Saipem, has launched since 2003 an information and training campaign (utilising pre-travel counselling programs, intranet and other in-house ideas) and provide for all the prevention tools, chemical and physical (repellents, chemoprophylaxis etc...). To increase awareness about malaria risk the company is continuing to internally communicate initiatives and experiences among the workforce. This informative campaign is based on Malaria Awareness Course (MAC) – the 'A' of the 'ABCD' strategy – which must be attended by all non-immune employees working in high-risk malaria areas. In 2009, 98.32% (4,109) of non-immune employees (Saipem's and subcontractors') have attended the MAC, held on various sites and vessels located in high-risk malaria areas.

this field who wish to enhance their medical knowledge and specialise in managing health cases remotely using Telemedicine as a tool. This course was initiated as a response to the wish of Saipem's top management to ensure the highest standards of medical care for the company's employees. Miogate is a global response to the demand for training in modern health practice using advance telecommunication facilities. It also serves as a beginning of a lifelong education on therapeutic strategies and pharma care, particularly for those who operate in remote sites exposed to extreme climate conditions and occupational health hazards.

The second edition of this course was completed in October 2009 when a master's degree was conferred on nine Saipem health professionals. The third edition of Miogate has just been started for the academic year 2009-2010. The program will be continuously offered, not only to Saipem health professionals but also to others who want to broaden their knowledge of telemedicine as a tool for promoting good health in the oil and gas industry.

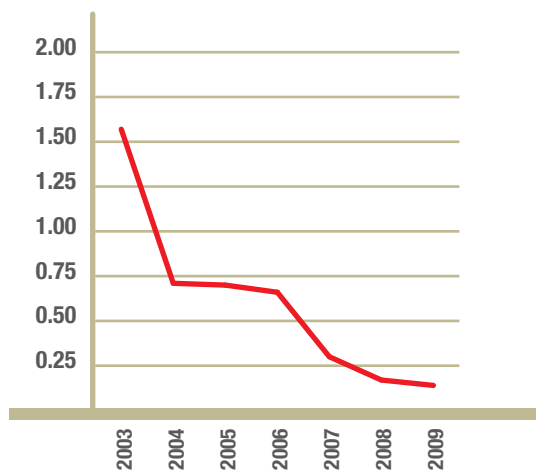
health statistics

health personnel

Due to increase number of working sites, demands and activities of Health Management System, an upward trend was observed in terms of number of Health personnel;

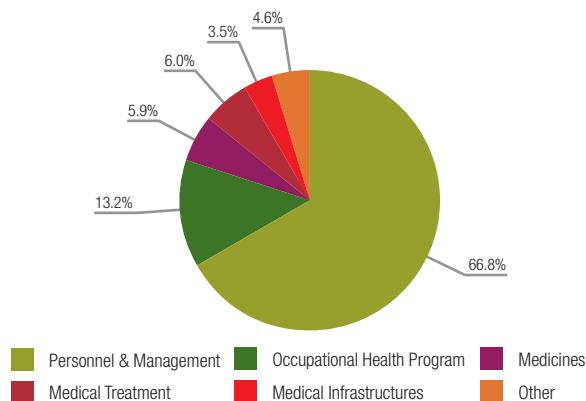


malaria case rate ^(*)

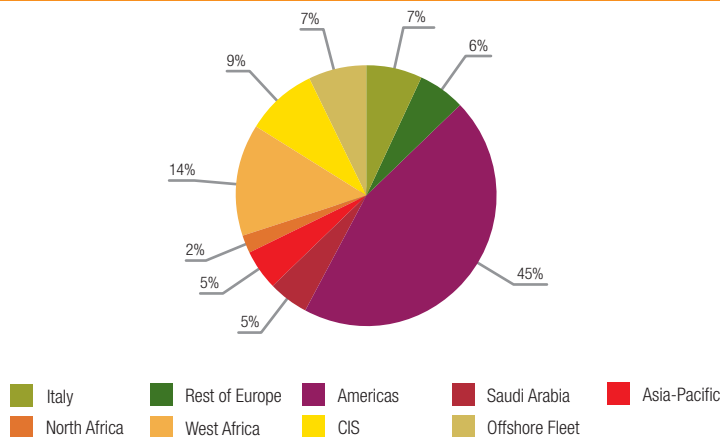


(*) Malaria Case Rate (MCR) is defined as incidence of malaria stewardable cases per 200,000 total exposure hours (worked hours) in high-risk malaria areas, for each particular group of employees.

health expenditures by type (%)



health expenditures by geographical area (%)



there was a growth of 17% compared to 2008 data. There were 434 health professionals working in different projects, sites and vessels of the company, 68% of Saipem health personnel were local employees.

repatriation cases

The repatriated cases of both Saipem employees and its subcontractors were strictly monitored by Saipem health service. In comparison with 2008, there was a decrease of 7.4% in absolute number recorded repatriations. A total of 137 employees were sent to their country of origin due to health reasons, of which 6 cases were fatalities. From these, 102 were repatriated due to sickness while 35 were a consequence of accidents.

Concentrating on Saipem employees alone, there were 122 repatriated Saipem employees including 3 fatalities.

health expenditures

In 2009, Saipem spent €25.2 million for health service. The salary of health personnel and other management expenses covered 66.8% of the total cost (€16.8 million) followed by occupational health program with the sum of €3.3 million as expenditures, this cost was related to vaccinations and control of fitness examinations. Investments in establishing health unit of newly opened projects and new vessels were incorporated on this data, for a total of 188 units in 2009 (increment of 8% compared to 2008). Based on geographical location, projects in America

proactive hpi

No.	Description of the indicator		Target minimum	Target expected	Results	
1	Percentage of employees with valid medical fitness examination	A) Expatriates	92%	97%	97%	★
		B) Locals	92%	95%	95%	
2	Percentage of expatriates vaccinated against diseases considered to be at risk in the working geographical region		83%	85%	84%	★
3	Medical personnel who attended Advanced Trauma Life Support (ATLS) and/or Advanced Cardiac Life Support (ACLS) training courses		75%	90%	81%	●
4	Conducted MedEvac (Medical Evacuation) drills at operating sites/projects		86%	96%	100%	★
5	Number of employees who attended the first aid training program		5%	15%	17%	★
6	Percentage of units that implemented Health Risk Assessment		50%	60%	57%	●
7	Percentage of units that implemented Cardiovascular Prevention Program		70%	90%	49%	●

reactive hpi

8	Frequency of repatriation due to sickness		<1.24	<1.07	1.21	●
---	---	--	-------	-------	------	---

corporate indicators

9	Issuing News & Updates		100%	100%	100%	★
10	Health audits		70%	90%	61%	●
11	Development of health prevention, promotion and protection programs to diminish with 15% incidence of repatriations due to cardiovascular diseases		<10%	<15%	40% decrease	★
12	Percentage of revised health documents		80%	100%	100%	★

- ★ = 'best expected' target achieved, guaranteeing an improvement in the process efficiency and/or effectiveness
- = 'minimum' target achieved guaranteeing the process conformity to ISO 9001
- = 'minimum' target not achieved

covered 45% of the whole cost (€11.4 million) followed by West Africa with €3.5 million expenses.

In comparison to previous year, there was an increase of 63% in cost. This was mainly related to health cost in Venezuelan projects with more than €10 million as total expenses, these are projects where the company extends its health services to the families of Saipem employees.

health audits

To verify health unit compliance with the established Saipem health standards, audits were planned and performed in 2009 at all levels. During this period, 80 audits were planned and 61% or 49 sites were successfully audited. From this activity, 24 Corrective Action Requests (CAR) were generated, 12 of them were already closed. Total 15 unclosed CAR's from previous years were also solved in the year.

vaccination

In 2009, there were 11,875 doses of vaccines given to Saipem employees and its subcontractors, this was a slight decrease of 3% compared to last year. Offshore units lead the vaccination campaign covering 27% (3,256 vaccinations) of the entire figures, followed by Saudi Arabia with 2,335 inoculations given.

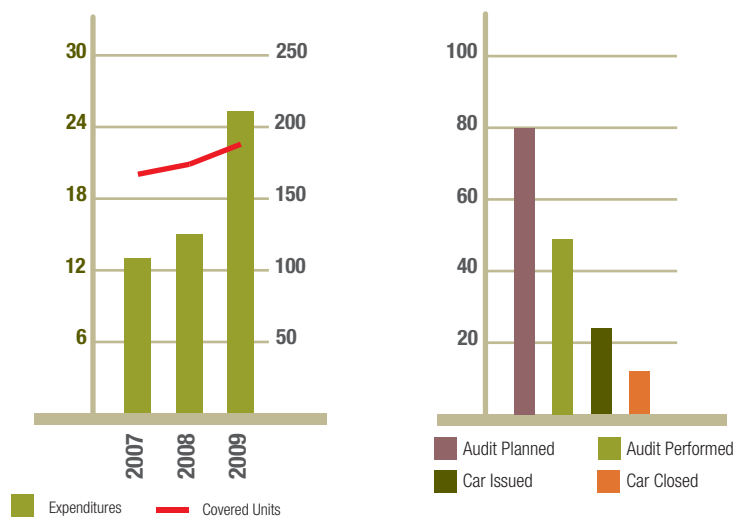
fitness examination

Saipem health service continuously monitored fitness status of all its employees, there was a slight increase of 2% in numbers of examinations done compared to previous year (28,386 examinations in 2009 and 27,946 in 2008). Head offices in Italy and the rest of Europe plays an important role in assuring fit-to-work status of all Saipem employees covering 38% (10,821 examinations) of the entire figure. This was followed by projects in America and Saudi Arabia with 5,323 and 4,400 fitness examinations done respectively.

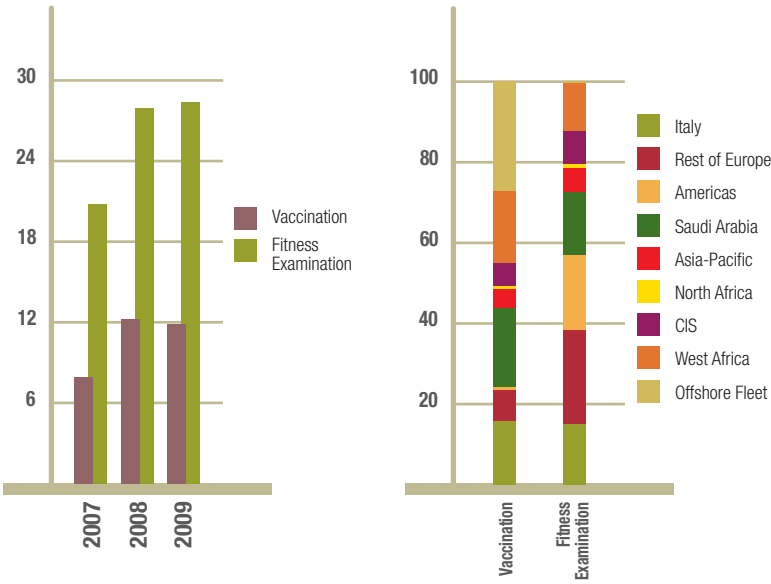
sickness and accident cases

In comparison to previous year, there was an 11% increment in medical and accident cases managed by Saipem health service (78,770 cases in 2009 and 70,775 in 2008), this was due to increase in coverage and efficiency of data recording. The trends remains the same in terms of number of incidence per group of diseases, prophylactic measures and follow up visits topped with 22,473 recorded cases, followed by diseases of the respiratory system with 13,920 cases. There were 379 cases of accidents which included both work and non-work related.

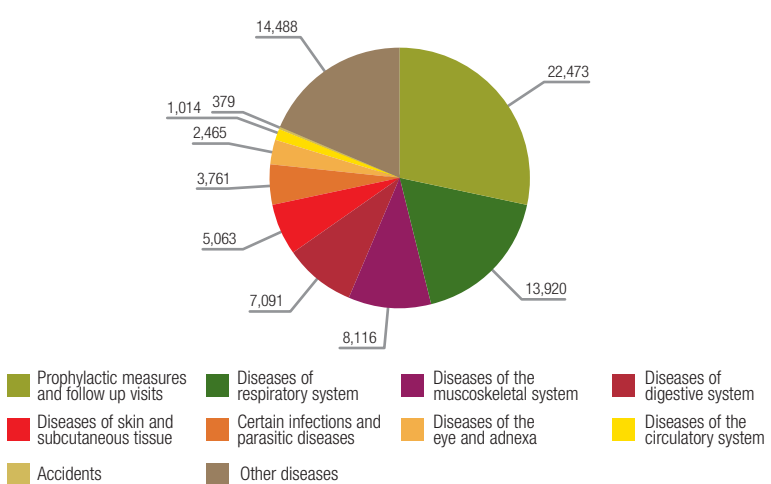
health expenditures trend (€ million - no.) health audit (no.)



vaccination and fitness examination trend (thousand) vaccination and fitness examination (%)



sickness and accident incidence (no.)



actions for environmental preservation

The global economy and environment remained in the spotlight in 2009 with continuing economic turmoil and concerns over climate change. Saipem remains determined to face these challenges in a manner that reflects the company's commitment to balance economic growth, social development, and environmental protection. Saipem is committed to preserve the environment and to demonstrate that its presence provides sustainable social and economic benefits. Saipem's objective is to continuously improve environmental performance, managing facilities in a way that protects resources as much as possible.

Climate change is a global issue with significant consequences for society and the energy sector. Saipem is committed to responsible management of greenhouse gas emissions from existing assets and future developments. Saipem actively manages air emissions, oil spills, water and energy use as well as solid waste.

greenhouse gas emissions monitoring

The need to reduce greenhouse gas (GHG) emissions is one of the most pressing issues facing many industries sectors, especially the oil and gas sectors and related service businesses. Saipem is

committed to playing a leading role in reducing these emissions and several initiatives have already been taken to support this aim. For example, during 2008, Saipem's Castoro Sei vessel was fitted with a pilot module for the monitoring of greenhouse gases arising from on-board sources such as generators, boilers and incinerators. In 2009, this module was added to four other vessels, that are the pipelay barges Saipem 7000 and Semac 1, the semi-submersible drilling rig Scarabeo 6 and the field development ship Saipem FDS. The use of this module has several objectives: assessing the vessels' compliance with existing international legislation; verifying the needs of intervention with pollutant emissions mitigation; and validating the emission factors used in Saipem's environmental reporting.

The parameters that have been monitored are: flow rate (Q), exhausted fumes temperature (Tf), oxygen concentration (O₂), carbon dioxide concentration (CO₂), carbon monoxide concentration (CO), nitric oxide concentration (NO), nitrogen dioxide concentration (NO_x), sulphur dioxide (SO₂) and particulate concentration (PM).

This monitoring system offers the potential to manage emissions reporting from the level of the individual site to that of the global enterprise. It also helps in setting performance goals and targets, measuring progress, identifying potential reduction measures and forecasting future GHG emissions.



Maurizio Marchionni, Seagulls in Morocco

spill response plans

The goal of spill response plans (SRP) is to minimise the risk of spillages during operational activities and to provide information about equipment, materials, emergency teams, procedures that would be available on the vessels and terrestrial spreads to undertake appropriate immediate remedial actions. The SRP includes a review of spill risks, identifies the sensitivities of the environment that would be affected and describes the actions to be taken in the event of an accidental release of hazardous substances, including chemicals, fuels or other potentially polluting materials during operations.

The training of personnel responsible for intervening in the event of a spill is very important as it can be prevented from reaching the natural environment beyond Saipem's working site (i.e. reaching the sea from a vessel) if it is handled in good time and according to the correct procedures in place. By acting rapidly and professionally according to the training received, the personnel in charge can manage to contain the spills, so that no oil damages the environment. On sites where trench containment areas are present, the spill is not only easily contained, but also easily cleaned up.

spill drills

Saipem aims for zero spills through following best practices in engineering and adopting suitable environmental management measures. Spill drills are an important step in attaining this goal. These exercises help to evaluate the effectiveness of the spill procedures in place and enable personnel to become more familiar with the plans, equipment and procedures. The goals of oil spill drills are to:

- verify that the response follows the standard procedure;
- verify the effectiveness of the standard procedure;
- familiarise personnel with their assigned duties;
- ensure proper functioning of the necessary equipment;
- increase promptness of response in the event of an actual spill;
- identify all contacts needed at the time of a spill;
- ensure the optimal participation of all relevant personnel, by clarifying the roles and responsibilities of everyone involved.

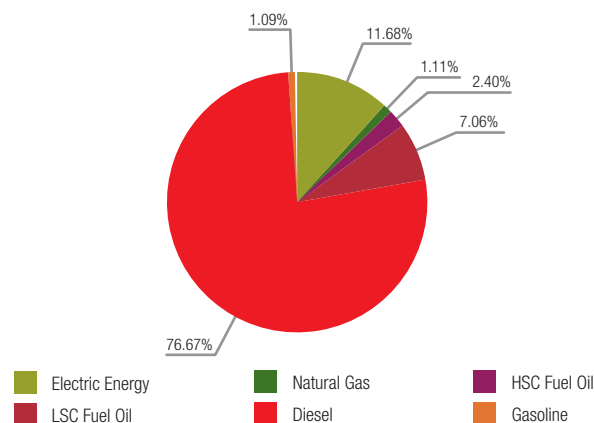
When these drills are performed regularly, the response to a spill is improved in terms of rapidity of reaction and effectiveness of actions undertaken. In this way, the response team can better prevent oil spills from affecting the environment.

environmental data analysis

The analysis of the environmental data trend is not always straightforward. The reasons for this are varied, and sometimes unpredictable, but they include: variations in the type and number of activities present from one year to another (i.e. at the beginning and at the end of a project extraordinary consumptions of resources and generation of waste are often reported), yearly improvements in the data collection process, both at the site level and at corporate level, and lastly, there are the environmental and social circumstances which can affect results (hurricanes, drought, etc.).

energy sources

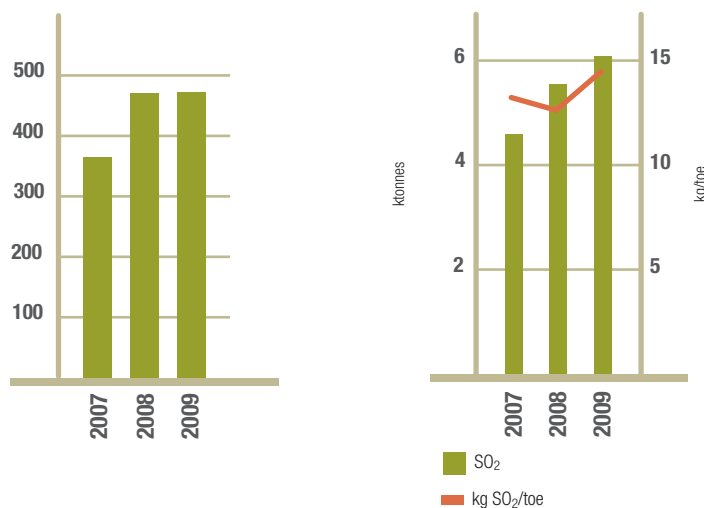
(%)



energy consumption

(ktoe)

SO₂ emissions



energy consumption

The consumption of energy has been rising slowly since 2007, mirrored by the growth of operational activities of the Group. In 2009, the energy consumption increased by 0.35% compared to 2008.

Diesel is the main type of fuel consumed on Saipem sites. Its consumption totalled 76.7% from the overall fuel consumption.

environmental best practices

water management on cdb melchorita

An innovative water treatment system at a major project on the Peruvian coast has reduced the volumes of waste being taken to landfill sites, improved soil quality and provided recycled water for a range of on-site uses.

CDB Melchorita is constructing the Peru LNG export project. This consists of a port where ships will be loaded with liquefied natural gas (LNG) from the greatest natural gas reserve of Peru. This port, located in Pampa Melchorita on the coast of Peru, will be the second major facility in Peru to export LNG, capable of loading ships from 90,000 to 165,000 cubic metres of capacity.

CDB is a Consortium consisting of Odebrecht, Jan de Nul and Saipem. Saipem and Odebrecht are carrying out the construction of the marine facilities while Jan de Nul is in charge of dredging activities and movement of rocks. The marine facilities consist of: a gas loading platform, contention carter, temporary lighting, emergency stairs, disembarking walkways, dolphins (a group of piles driven close together and bound with wire cables into a single structure), a dredged channel, a 1,350-metre long marine trestle and a 800-metre long Breakwater located 1,500 metres offshore, between other adjacent works. The area of work is a natural area with moderate marine biodiversity, archaeological sites and small fishery activities.

Melchorita is located in a desert area with low humidity, high dust and no water supply system. Water use and re-use is therefore an important factor in the project. In order to minimise excessive water consumption, a recirculation system has been installed in areas of high water use. The system for waste water treatment allows residual water to be reused, mainly for spreading on the roads to reduce dust emission, and watering of green areas.

reed bed sewage treatment system

A reed bed sewage treatment system has been installed at Melchorita to improve the domestic wastewater treatment system. The new system uses a biological method of treatment, based on the absorption of nutrients by vegetables. These are able to bio-accumulate, avoiding the use of chemicals. The system uses the papyrus, which is a plant that consumes mainly phosphorus and nitrogen from the wastewater.

This treatment system has enabled the project to guarantee its compliance with all water quality parameters according to the law. Additionally the papyrus was used to improve the landscape of the project area and the final treated water was recycled, being used for dust control and watering of green areas.

sludge drying bed

The wastewater treatment plants treat waste biologically using activated sludge, with microorganisms that reduce the organic matter. However this process produces an excess sludge due to the accumulation of reduced organic matter and this excess has to be disposed of periodically.

The main treatment plant of CDB Melchorita has a capacity of 100 cubic metres per day and produces 20 cubic metres of excess sludge per month on average. This used to be sent to landfill for final disposal in order to maintain a good functioning treatment plant.

However the sludge drying bed now treats the excess sludge physically, through a dehydration treatment, which removes the water naturally, leaving just the solid particles behind. This dried sludge can then be used to improve soil quality, due to its high organic matter content.

The drying bed has been designed to treat a maximum of 60 cubic metres of excess sludge. It consists of two pools of 30 cubic metres, waterproofed by geo-membranes and shallow, long sand filters to accelerate the drying process. The design includes a drainage system to collect the excess liquid from the sludge.

The drainage system collects the liquid in two forms. It captures the water that filters towards the bottom part as well as the supernatant liquid – the water that is left on the surface after the sedimentation of the sludge – using pipes installed in the bottom corner of the pool. The captured liquid is then conveyed to the treatment plant through a piping system.

This system helps to improve the efficiency of the treatment plant, due to the quick evacuation of the excess sludge and renewal of the activated sludge. It also avoids the disposal of the sludge in a landfill, reducing environmental impacts and the costs related with collection, transport and disposal of the waste.

use of the treated waste water

The treated waste water is recycled for various purposes.

Mixer Washing: in the concrete plant, the mixer used to transport the concrete needs to be washed at the end of every working day. The water used in the washing operation of mixer trucks is sent to a small treatment plant consisting of three sedimentation beds to settle the solid particles, leaving treated water that can be used to wash a mixer.

Vehicle Washing: all project vehicles need to be washed frequently and a washing area has been created in the main camp of CDB Melchorita. This area has a small plant used to collect and treat the water used. The plant consists of a solid retention system and grease trap. The treated water is then returned with a pumping system to the storage tank for washing the next vehicle.

Sprinkler system in the vibrating screen: a sprinkler system using the treated water has been installed to prevent dust collecting around the vibrating screen used to work the cave materials utilised for the construction activities.

Irrigation with treated water: all access roads are irrigated with residual water from the wastewater treatment plant. This water is also used to irrigate grassy areas, as it which meets all the necessary quality parameters and avoids using water from the river.

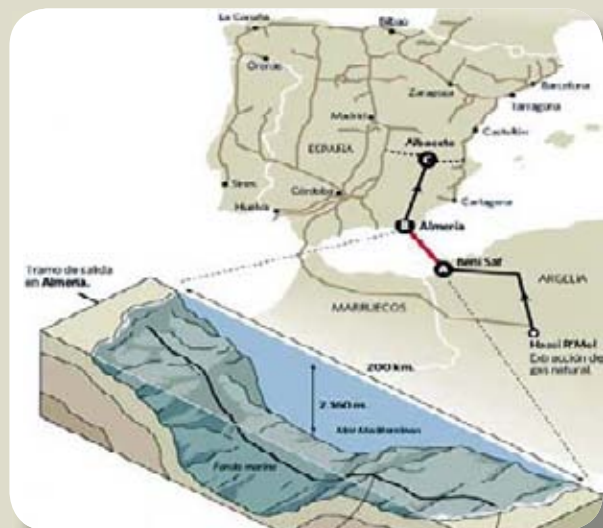
marine environmental monitoring on medgaz project

Saipem has carried out an underwater monitoring programme to assess the impact on the marine ecosystem of building a gas pipeline from North Africa to Europe. Saipem has been awarded the contract for engineering, procurement, supply, construction and pre-commissioning of the marine pipeline from Algeria to Spain, as a strategic project for the transportation of natural gas from Algeria to Europe across the Mediterranean Sea.

Following an environmental impact assessment (EIA), Saipem undertook a programme of surveillance trial activities (STA) to understand the effects dredging activities on the sediment in the Spanish shore approach area. The dredging is carried out using Backhoe Dredger 'BHD' and Trailer Suction Hopper Dredger 'TSHD'. The specific objective of the STA was to assess if the silt screens were needed as a form of mitigation, particularly to reduce the impact on the sea grasses of *Cymodocea nodosa* and *Posidonia oceanica*.

The sea grass meadows *Cimodocea nodosa* and *Posidonia oceanica* are biological indicators as they are sensitive to contaminations of different origin. Like other sea grasses, *Cymodocea nodosa* and *Posidonia oceanica* act as water transparency regulators.

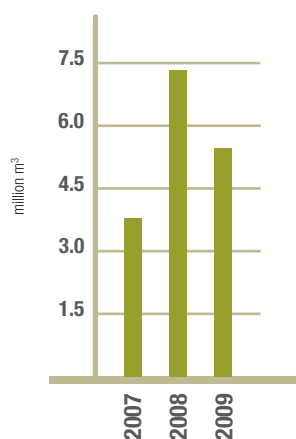
Each survey consisted of 8.5 hours of continuous measurements, carried out at 8 points placed along 2



emissions to air

Greenhouse Gases (GHGs), NO_x and SO₂ emission indicators are shown both in absolute terms (in tonnes) and in terms of emissions relative to energy consumption, expressed in tonnes of oil equivalent (toe). NO_x and SO₂ emissions increased in 2009 by 1.26% and 9.46% respectively, while GHG emissions decreased in 2009 by 4.3%. The increased quantity of HSC Fuel Oil used in the year (mainly due to the new FPSO Gimboa that started operations) influenced the emissions in the atmosphere, especially those of SO₂ and NO_x.

water consumption (not including non-desalinated water)



water consumption

The water consumption, not including non-desalinated water, for 2009 decreased by 27.6% compared to 2008, from 6.92 million cubic metres to 5.01 million cubic metres. No hydro-testing performed in 2009 was the main reason for the decline in water consumption.

cross-sections. The following parameters were measured in order to evaluate the main chemical and physical parameters of the water column:

- depth of siltation (sediment suspended);
- turbidity - or cloudiness;
- the size of suspended solids and grains;
- currents;
- correlation between turbidity and silting thickness.

The activities showed several interesting results and the two main outputs can be summarised as follow:

- all the siltation measures were measured as being in compliance with the limit of 2.5 cm set out in the EIA;
- the highest value of measured turbidity during the dredging activity carried out with Backhoe Dredger was 32 NTU, which is comparable to the maximum natural turbidity of 30.13 NTU generated by rough sea conditions, as recorded during the baseline survey; while during the dredging activity carried out

with Trailer Suction Hopper Dredger, all the values of measured turbidity were one order of magnitude lower than the natural turbidity of the area during rough sea conditions.

The Suspended Solids Concentration (SSC) analysis demonstrated higher values inside the pipeline trench. However at 10 metres from the trench the values were comparable to the natural background levels. In particular, the correlation between turbidity and siltation demonstrated that, for future similar activities, it would be enough to monitor the turbidity to foresee the siltation induced by backhoe dredging at distances of 5 and 10 metres from the edge of the trench.

Benthos identification analysis was carried out before the start of dredging and after backfilling activities and it is clear that no modifications of the benthic communities occurred in the study area. Even if the percentages of the detected species were slightly different, the ratio between the groups was unchanged. This result proves that no impacts on benthic communities occurred in the project area.

mitigation of the environmental impacts on the blacktip project

offshore activities



Offshore dredging with Hippopotes

near-shore activities



Re-instatement of near shore

onshore activities



Re-instatement of pipeline corridor

primary risks

Possible introduction of invasive marine species.
Unplanned marine discharges and improper disposal of marine waste streams.
Potential disturbances to marine flora and fauna.

Potential disturbances to marine flora and fauna, due to vessels and land based equipments operations (especially turtles).
Generation of turbid plumes during dredging.
Light emissions in the beach pull area.

Entrapment of fauna in open excavations.
Sedimentation of coastal water due to increase surface runoff.
Introduction of feral animals and pests.

mitigation measures

The 'vessel pratique' was implemented: a technique for quarantine clearance for vessels offshore and in Darwin. Vessels were monitored for the presence of marine pest species prior their entry into Australian Coastal Waters. All wood on board the Castoro Otto, pipe barges, and cargo barges was fumigated in line with quarantine requirements.
Detailed internal and external cleaning procedures were carried out for the offshore concrete coated pipe.
A detailed bio-fouling record book for the Castoro Otto and a bio-fouling risk assessment matrix for all vessels were implemented. Ballast water exchange logs were also monitored. The record showed that no significant risk was caused to local flora or fauna within the Gulf.

Set up of a turtle monitoring plan (see below).
Monitoring of turbidity during dredging: the sediment plume generated was rapidly dispersed causing no significant risk, due to the naturally high turbidity area, caused by strong currents and high tidal range.
Installation of mitigation measures to minimise light spill: lights kept low on the ground, no lights facing seawards, except for those required for safe operations, etc.
The dredged area and near shore excavation were re-instated to their original levels upon completion of the shore pull.

Monitoring activities conducted one or twice per day by Rangers (no fauna was found in excavations).
Monitoring of the sedimentation: the sediment plume caused a temporary increase in sedimentation but rapidly dispersed in the turbid waters of the Gulf, causing no long-term degradation of either sand dune or coastal waters.
As for offshore, a detailed internal and external cleaning procedure was carried out for the onshore steel pipes.

The methodology adopted during the MedGaz project allowed Saipem to assess and avoid the installation of silt screens, confirming the sustainability of the dredging plan. The Surveillance Trial Activities (STA) have proven to be a valid preliminary assessment to carry out in similar future project. In particular the STA is a useful approach to determine if silt screens need to be used. In addition, the data gathered during the environmental monitoring highlighted that no relevant impacts on marine communities were generated by the construction activities in the investigated area.

environmental protection in the blacktip project

Saipem (Portugal) Comercio Marítimo, Lda has been contracted to undertake construction of a pipeline system to convey gas from the Blacktip gas field which is located in the Joseph Bonaparte Gulf, approximately 110 km offshore from Wadeye, Northern Territory, Australia. The environmental management strategies (EMS), put in place to comply with international and Australian environmental legislation to mitigate environmental risks, were set out in an offshore installation and onshore pipeline construction environmental management plan (EMP).

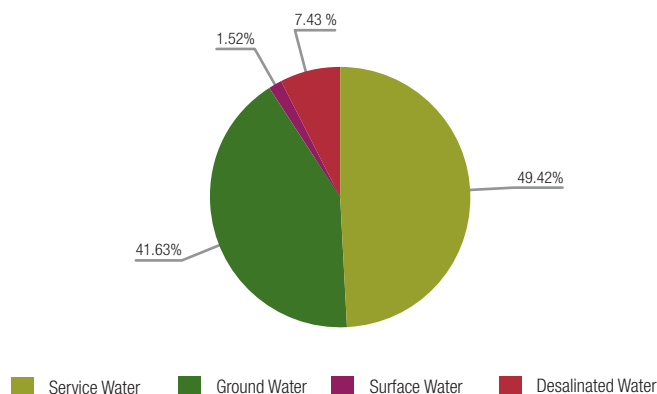
turtle monitoring plan

During the works near the shore, particular attention was paid to turtle monitoring. The main nesting period for flat-back turtles – *Natator depressus* – is June through September, which coincided with the dredging and shore pull activities. Considerable care was therefore taken to minimise interference with turtle activity. Monitoring of turtle nesting took place as per the requirements of the Saipem environmental management plan. Notification of turtle sightings from vessels enabled rapid pro-active onshore monitoring of turtle nesting activities. Preparatory works were undertaken during the daytime to minimise disturbance to nesting turtles and the lighting plan needed for night-time operations was designed to minimise light spill onto the nesting areas.

Mitigation measures included the following:

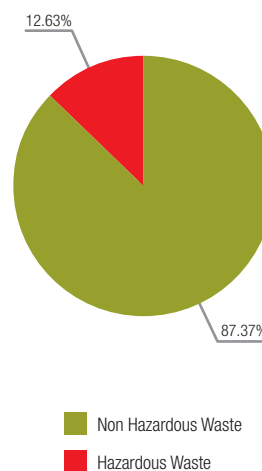
- reducing visible light emitted from the beach as low as reasonably practicable, giving due consideration to the safety of personnel;
- having no lights facing seawards except for those required for the safe operation of the construction site;
- keeping lights close to the ground wherever possible;
- ensuring that lighting near the shore did not interfere

structure of water consumption (%)

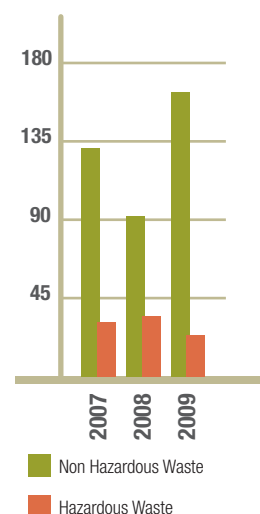


When considering the structure of water consumption, service water accounts for the largest amount, followed by ground water and desalinated water. The graphs do not include non-desalinated seawater usage, consisting mainly of engine cooling system water and ship ballast water. Several studies concluded that returning the used water back into the sea has minimal and acceptable potential local environmental effects (e.g. slightly higher seawater temperature and salt water content). Besides, it's quite difficult to quantify exactly the water used for ballast, as Saipem's vessels need to ballast, partly de-ballast and total de-ballast several times in the course of their activities.

waste sub-type 2009 (%)



waste per type (ktonnes)



waste production

The amount of waste generated each year is closely correlated to the operational activities of each site and project. In the case of large scale projects, their particular activities can have a significant impact. For example, one particular onshore plant construction project (Ruwais 3rd NGL Train Plant Project) has undergone de-construction operations which resulted in huge quantities of soil, rocks and dredging materials being disposed (103,941 tonnes). These operations happened both in the first as well as the second semester. The total quantity of non-hazardous waste for 2009 was 163,240 tonnes. This year also continued last years' efforts of Saipem generating and implementing successful waste management plans on its operating sites. This result is observed in the 32.3% decrease in the amount of hazardous waste generated: from 34,861 tonnes in 2008 to 23,593 tonnes in 2009. The amount of hazardous waste generated represents 12.6% out of the total amount of waste generated in 2009.

with adult sea turtles or turtle hatchlings emerging from their nests.

Saipem had the full support of the workforce in closely monitoring this highly sensitive issue. For example, during near shore preparatory works, one nest was laid at the outer edge of the southern construction corridor at the base of the sand dune. This nest in particular was monitored by the construction crew, both immediately after it was laid and until the hatchlings nested. The construction crew actively participated in the monitoring by providing photos and reporting sightings of nesting turtles/hatchlings. A considerable number of hatchlings emerged from this nest compared to the nests that were not protected to the same extent.

The mitigation strategies and their implementation successfully limited any negative interference with the nesting turtles. In fact an increase in hatchlings was observed compared to previous years.



successful recovery of benzene from samho brother



One of Saipem's most challenging operations to protect the environment was the task of recovering a cargo of benzene from a ship that had sunk in the Taiwan Straits, avoiding the release of a large volume of a toxic chemical.

In October 2005, the chemical tanker Samho Brother, with its benzene cargo, capsized after colliding with vessel TS Hong Kong. In an attempt to burn off the benzene, the Taiwan Air Force sent two F-16 jet fighters to try ignite the cargo, this attempt failed and the vessel sank in approximately 70 metres of water.

To avoid future leakage of the benzene to the surrounding sea, it was decided that the cargo needed to be removed from the sunken wreck.

facing the challenge

Saipem, in partnership with Sonsub, was awarded the contract to recover the cargo and bunkers in late 2008. The scope of the work included:

- the complete removal, safe and proper delivery of the benzene cargo;
- the removal of the bunker oils (the ship's fuel), if accessible.

The project started with meticulous planning and preparation.

Special environmental considerations were taken into account during preparation, as the Taiwan Straits experience currents that reach 4 knots, rough seas and typhoons.

Apart from the challenges posed by the weather, the success of the operation depended on the effectiveness of tools developed by Saipem/Sonsub to penetrate the hull and extract the cargo. The cargo tanks to be tapped were double-hulled, with two complete layers of watertight steel surface and strengthening ribs. This presented the challenges of avoiding the strengthening ribs, and successfully penetrating both hull layers.

Understanding the potential risks involved, the tools developed had to be structurally strong enough to penetrate the tanks and also have adequate 'sealing ability' to ensure that no leakage occurred once the hull was penetrated. The impact of any leakage on the environment could have been enormous.



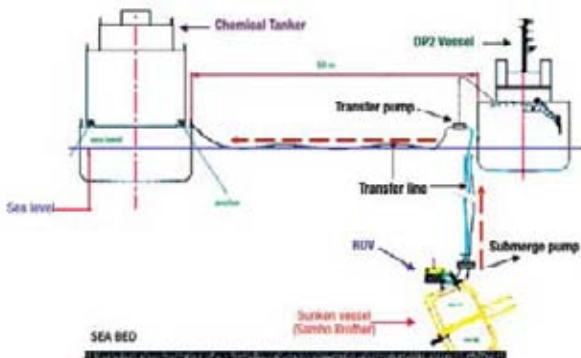
Raul Jimenez Lea, Greengineering

As shown in the sketch, a dynamic positioning (DP2) vessel – which has sophisticated computer systems to maintain its position – was deployed to control the tools using a remotely operated vehicle (ROV) while a chemical tanker was stationed nearby to retrieve the benzene. After the successful installation of the hull penetration and extraction tools, the chemical tanker was moored at a safe distance from the DP2 vessel.

The transfer of cargo from subsea to surface was carried out via suction hoses connected to the extraction tool valves and a submersible pump. Subsequently, the cargo was transferred into the chemical tanker via a floating hose and a surface transfer pump. The cargo transfer involved several connection points and therefore required precise project execution on site.

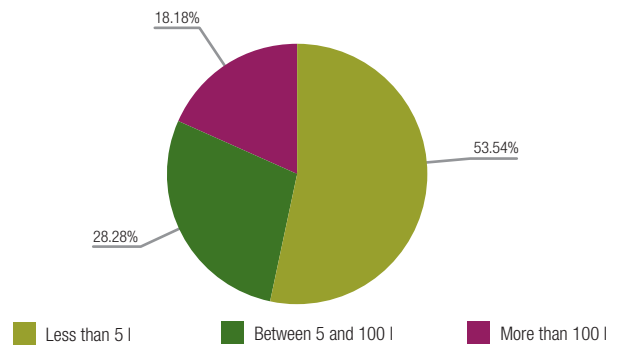
the achievements

All of the extractable benzene was recovered from the Samho Brother wreck, amounting to over 1,700 tonnes. All nine cargo tanks of the sunken vessel were successfully tapped. During the operations, there were no environmental incidents or lost time incidents. The work was completed ahead of schedule, to the full satisfaction of client and the local authorities.

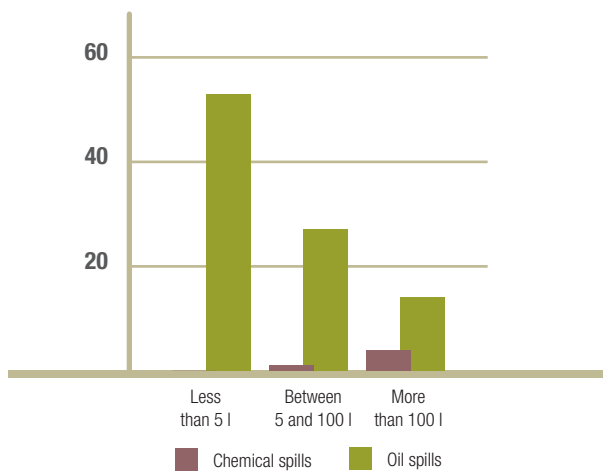


total spills

(%)

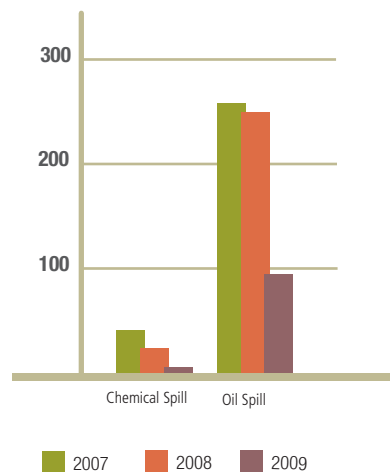


chemical and oil spills per quantity - 2009



spills number

(no.)



spills

The number of spills has been declining for the past three years as a result of both preventive and reactive actions taken on all Saipem sites. The number of oil spills reported in 2009 was 94, while the number of chemical spills was 5. Spills greater than 100 litres are the least occurring ones, accounting for 18.2% out of the total number of spills. Most of them happened on Scarabeo 5 and on Petrex Venezuela rigs, while the largest spills occurred on Gbaran PPL Project and on Petrex Venezuela rigs.

asset and technology innovation

saipem's fleet at a glance

Saipem owns a fleet of vessels and technical equipments that, thanks to a balanced mix of high reliability and top technologies, stand as a key element for the conservation and the strengthening of its leadership in this sector of activity.

The development of an in-house know-how to manage these assets, from R&D to designing of new vessels, to the maintenance and improvement of the operating ones, maintenance engineering and spare parts management included, is strategic for the Company success and the achievement of more and more challenging objectives in terms of HSE and operational performances.

Saipem has consequently started a long-term plan of investments to enlarge its fleet with new offshore construction vessels, FPSO, onshore and offshore drilling rigs, and improve the existing ones. This will allow Saipem to increase its volume of activity and face more and more challenging projects.

Saipem has recently launched an ambitious programme of expansion of its drilling fleet which will be concluded during 2010. Saipem will double its presence in the deep water segment and will increase by 50% the shallow water segment thanks to the start of the operation of the drill ship Saipem 12000, capable to operate up to 12,000 ft of water depth, the ultra deepwater sixth generation semisubmersible drilling units Scarabeo 8 and Scarabeo 9 and the jack-up Perro Negro 6 and Perro Negro 7. Over the last years the expansion programme has also regarded

the onshore fleet currently including around a hundred plants with different capacities.

The Saipem's construction yards (located in Italy, Kazakhstan, Indonesia, Azerbaijan, Nigeria, Angola, Congo and Saudi Arabia) are another important element of the company's asset. The Group's yards are pivotal to almost all its activities, since they supply the critical fabrication competencies to the integrated project execution process. Saipem sites are multidiscipline fabrication areas servicing all of the Group's business units. A fundamental characteristic of Saipem yards is their location: they are strategically positioned at the oil frontiers on three continents with a clear commitment to the permanent local players in each area. The Company ability to develop the projects in remote areas in the most important oil and gas development provinces is achieved through a solid network of project supports activities built on three fundamental core competencies: the capability to establish strong connections between local and corporate engineering; worldwide logistic support for personnel, assets and project materials and, finally, a recognised capacity to locally manage the wide ranging challenges that have to be faced in these developing countries.

the new pipelaying vessel castorone

The pipelaying ship CastorOne was designed to combine high pipelaying performance across a wide range of operating conditions,

fostering innovation

The awards ceremony for the winners of the annual Saipem Innovation Trophy took place on June 24, 2009. The competition, which is open to all Saipem employees, is for the best idea successfully implemented during the year and has been running since 2003. The purpose of this event is to foster innovation by rewarding people that introduce positive innovation into company activities.

Thirty-two proposals were received for the 2008 competition (from September 2007 to November 2008), in four different categories: onshore, offshore, assets and staff.

The organising committee evaluated each application's level of innovation using three criteria: originality, initiative and benefit. A proposal was considered original if it solved a company problem of any kind (technological, operational organisational or financial) in a new, ingenious and creative manner. The innovation could regard an incremental improvement to existing technology or represent something completely new for the industry in general. Innovations regarding company processes were also considered.

The jury, formed by company top management, awarded first prize to the **LiS project (Leadership in Safety)**, which had the objective of creating a stronger safety culture within Saipem. The project is fully described at page 57 of this Report.

The **EAR (Extended Acoustic Radar)** project came second, with a new tool capable of detecting large obstructions inside pipelines, such as a coupler fallen inside during laying operations.

Third place was taken by the **'Zero' emission sulphur management system** proposal, a new method for managing the transport of sulphur. Saipem has patented a method for the safe transportation of sulphur without producing potentially explosive dusts and gas, and therefore without the need to use special transport. See a detailed description of the method at page 75 of the Report.

and speed of travel when navigating from one project to the next.

To achieve this, it was necessary to engineer a production process operating through highly complex equipment of significant size and weight, though contained within the space available in a very compact hull.

The result is a system where the use of every space is maximised, and the interaction between man and machine must be studied in detail.

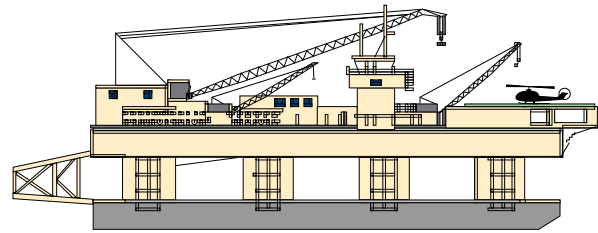
Aware of this, the project team requested the suppliers to follow the approach set forth in the **Equipment Guidelines** (Direttiva Macchine), explicitly including this requirement in the technical specifications for the procurement of all the equipment in the production process.

This provided a solution to the problem posed by the lack of specific maritime rules for this type of vessels, which by their complex and atypical nature are true prototypes, and as such can hardly fit in the definition of 'Special Purpose Ship'. The 'Equipment Guidelines' approach allowed the project engineers to draw from a wealth of technical standards and to look at the operator's health and safety as the basis for any design concept, aiming to achieve safety standards equal to those of any European manufacturing plant. Additionally, it was immediately clear that such a complex system required adequate reliability control, both at the level of individual machines and of complex system. This is why it was decided to include in the technical specifications a requirement for the supplier to provide a **Failure Mode, Effect and Criticality Analysis** (FMECA) for each individual machine. All the FMECAs together will then feed data to a system FMECA in which the analysis of interfaces and of possible 'domino effects' is the most important component.

In accordance with this same principle of focusing on the man-machine interface, the process was studied carefully and was set up to include several **Safety Design Reviews** as well as ad-hoc specialised analyses:

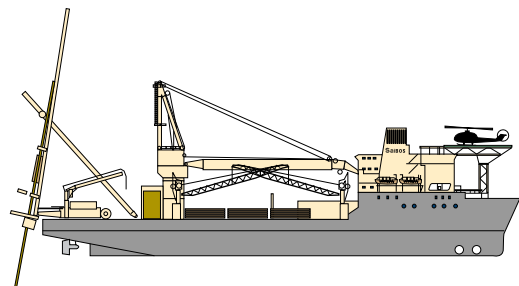
- a dedicated **3D model**, in which each workstation is represented in detail, will allow the project engineers to evaluate the space available to each operator, optimising the layout of equipment, platforms and accesses thereto;
- a **task analysis**, where each task is defined in detail and evaluated in terms of physical effort (repeated actions, manual handling of loads) and mental effort (prolonged concentration, work in solitude, task complexity) will help to identify and correct potentially critical situations through measures such as the adoption of lighter equipment or of systems for the assisted handling of loads, task rotation, and dedicated training paths;

Construction vessels examples



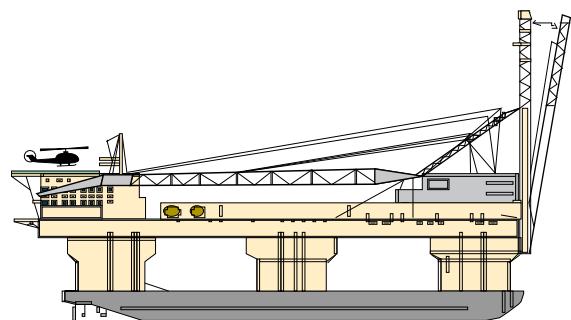
Semac 1

A third-generation semi-submersible pipelaying barge, using the S-Lay pipe installation method, which takes its name from the suspended shape of the pipe at the end of the barge, which lays in a gentle 'S' from the stinger to the seabed.



Saipem FDS

Multi-purpose monohull dynamically positioned (DP) crane and pipelaying (J-lay) vessel. In the J-Lay method the suspended shape of the pipe forms a 'J' going from the surface of the vessel to the seabed. In deeper water, S-lay is not feasible and J-lay is common. The Dynamic Positioning is a system which automatically controls a vessel's position and heading exclusively by means of active thrust.



Saipem 7000

Semi-submersible crane and pipelaying (J-lay) DP vessel, encompassing pipelaying in water depths greater than 2,000 metres and heavy lift operations up to 14,000 tonnes. The Saipem 7000 retains the heaviest lifting record of 12,150 tonnes for the Sabratha deck in the Mediterranean Sea and the pipelay of two 24" diameter sealines across the Black Sea, for the Blue Stream project, at the record depth of 2,150 metres.

- a **Noise Prediction Study**, designed to simulate the sound level within each space (manned or unmanned) on board the ship, indicating the main causes and the technically compatible control measures to be adopted.

The Safety Design Reviews provided indications to look more closely into extremely important aspects which had been identified as critical for the safety of the entire ship. This prompted a series of additional analyses:

- **Fire risk analysis**, where all fire sources, whether gaseous, liquid or solid, were inventoried and evaluated in a fluidodynamic simulation of the possible fire scenarios in the work areas (Pre-fabrication and Firing line), in order to establish the validity and resistance of the engineering approach;
- **Dropped object Study**, aimed at evaluating the risk of dropping an object while lifting it from, to or through CastorOne, using standard lifting equipment (cranes, hoists, hydraulic arms, bridge cranes), or non-standard equipment (elevators, buffer cranes);
- **Emergency System Survivability Analysis**, a typical study for offshore units redesigned for a ship's characteristics, aiming to evaluate the strength of emergency management systems, in the face of scenarios identified as critical: essentially fire, ballast system failure, and collision with other vessels.

In an environmental perspective, the project team tried to limit the risks of possible oil spills in the ocean. This is particularly important for the equipment located aft in the Firing Line,

which are very close to the sea surface. For this reason it has been decided that all the equipment must be designed to use **biodegradable hydraulic oil**.

Additionally, considering the high number of inverter-controlled electric engines, the project team found that it is possible to implement a system enabling the engine to operate like a **dynamo** during the braking phase, i.e. to recover power and reintroduce it into the onboard power network.

technology innovation

In the continuing quest of designing and building modern, cost-effective and sustainable new investments for Saipem's customers world-wide, in technology innovation Saipem pursues today the development of unique proprietary process technologies and related know-how, as well as the application of most modern third-party state-of-the-art technologies, both in support of Saipem's EPC activities.

offshore

Technology Innovation in Offshore Business within Saipem Group fosters development of critical processes and equipment, preparing the company to the future needs of the oil & gas industry, supporting the technologies for new investments and continuously improving the core business processes.

The oil & gas market is driving the industry to even more

asset integrity

To reduce the potential risk of very serious accidents, Saipem is committed to guaranteeing and improving the reliability and safe operation of equipment, technically known as 'asset integrity'.

Asset integrity in Saipem is based on two fundamental processes:

1. identification and prevention of major accident events – those with potential to cause multiple fatalities, significant environmental damage, project delays or economic losses;
2. identification and implementation of specific health and safety requirements for complex offshore construction equipment used by Saipem.

The first process is performed through the development of 'safety cases'. These start with an extensive risk assessment, taking several days, in which a dedicated team of experts analyses risks posed by a vessel's equipment and operations. All possible major accident events are identified and studied in detail, using the most advanced risk analysis techniques (like BowTie® methodology).

Where necessary, control measures are put in place to reduce risks to a level that is as low as reasonably practicable (ALARP). Furthermore, the 'safety case' process also defines a vessel's critical safety elements in term of equipment, personnel competencies and procedures. These critical elements are studied and systems are put in place to control and audit them.

The second process is based on Saipem's experience, industry 'best practices' and internationally recognised standards. New internal guidelines have been developed which clearly identify all safety studies that are necessary to be conducted for complex systems such as the J-Lay Tower – for example, studies into issues such as failure modes, effects analysis or dropped objects. They also contain health and safety criteria for pipe processing systems, for example, mandatory locations and dimensions of hard barriers, access prevention systems such as light curtains and colour coding of dangerous zones and equipment.

All these requirements are being implemented in new investment projects such as CastorOne and FDS2, from the design phase onwards. For existing construction vessels, a gap analysis is carried out to analyse and ensure compliance.

This approach to asset integrity is the most appropriate to address major operational risks and prevent failures similar to the S7000 J-Lay system accident, occurred in September 2008.

challenging operations. Saipem is responding through its sustainability issues, developing technologies in the areas of frontiers projects, improving operations reliability and reducing the environmental impact of construction activities. As a result, different technologies have been successfully developed and proven in the field.

operating in challenging environments

Low environmental impact solutions, for laying and burying of sea lines in remote areas, in presence of ice and very shallow water have been designed, built, tested and operated.

Over the past years, Saipem TRB and 'Mondine' shallow water barges installed hundreds of kilometre of trunklines under the Caspian seabed, by minimising the amount of excavated soil.

Nowadays, developments based on the same technologies are ongoing, and targeted on projects in different areas. Beside on that, technical improvement never stops, in order to achieve a further reduction of the environmental impact during the operations.

A new Saipem technology (patent pending) has been developed and used to tow a very long and heavy sealine ashore, in Saudi Arabia.

The purpose of this technology was to reduce the pulling force uncertainties and value during operation, limiting risks and reducing costs, by using specifically air bell floaters with self adjusting buoyancy.

As a consequence of the use of these equipments, large dredging operations have been drastically reduced and the environment has been better preserved.

sircos deepwater pipeline repair system

Saipem, over the past years, developed and tested at sea a complete system for deepwater emergency repairing of trunk lines, based on Eni cold forging technology.

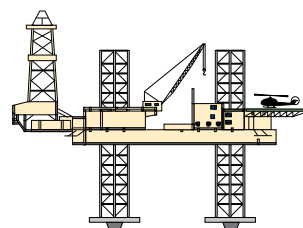
SiRCoS Deepwater Pipeline Repair System includes all the installation modules and pipe preparation tools in addition to the pipe connectors and spool pieces.

GreenStream and Medgaz repair components are always kept ready for emergency intervention.

Technology Innovation is also playing a distinctive role in the new class of Saipem's vessel for pipe laying, field development, offshore construction and drilling.

FDS2 and CastorOne, two new ships under construction,

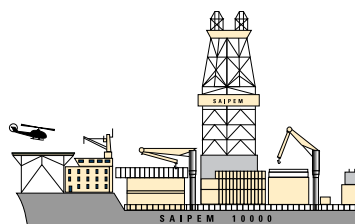
Drilling vessels examples



Jack-up - Perro Negros

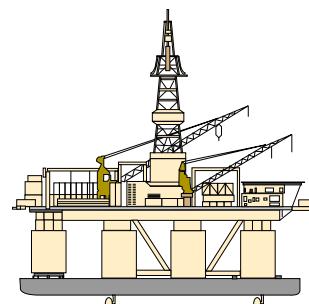
Self elevating drilling platform (Jack-up). Saipem owns four jack-ups.

The jack-up is the most popular design in mobile offshore drilling units. The jack ups provide a very stable drilling platform, since part of their structure is in firm contact with the bottom of the ocean. Moreover, they can easily moved from one location to another.



Drill ship - Saipem 10000

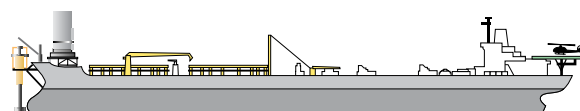
Ultra deep water drillship, self propelled, equipped with EWT (Extended Well Testing). A drillship is a floating rig, that has a drilling derrick, a tall, towerlike structure necessary for any drilling operation. It has a ship-shaped hull that allows to store supplies and equipment on board the vessel.



Semi-submersible - Scarabeos

Semi-submersible drilling platform self propelled. Saipem owns five semi-submersible. A semi-submersible is the second type of floating drilling units. It is a very stable rig, as the its submerged prevent it being as susceptible as a surface unit to wave motion, particularly rolling and pitching.

FPSO fleet examples



Floating Production Storage and Offloading (FPSO) - FPSO Mystras

FPSO units are part of Saipem's Offshore Construction line of products, both as newbuilts delivered turnkey to the customer, and as tanker conversions leased to and operated for the customer. An FPSO is a type of floating tank system that processes the fluids received from the well by separating oil, water, and gas, and storing and offloading crude oil.

transmed pipeline repair

In the area of trunkline repair, Saipem has recently performed the repair of two of the five Transmediterranean pipelines, connecting Tunisia with Sicilian coast (Italy), severely damaged at end of December 2008. The damage occurred at a depth which may be considered a limit for the feasibility of the Above Water Tie-In adopted solution (AWTI); beyond that water depth, there would only be the possibility of repair by hyperbaric welding (up to 180 metres of depth) and SiRCoS up to maximum water depth of Transmediterranean pipelines route. Even though the AWTI is the solution most sensible to weather conditions, the actual repair took advantage of the most favourable conditions existing along the Transmediterranean pipeline route; the availability of key assets (lay barge, trenching and rock-dumping vessels) in vicinity of the damage site was an exceptional circumstance that made the AWTI feasible and completed under a short schedule. Only diverless operations were possible to prepare the AWTI since no safe access to divers was possible before de-pressurisation of the second damaged line (maintained in production until the final intervention on it).

At both pipeline ends onshore (Sicily and Tunisia), TACS (Temporary Air Compression Stations) were mobilised to allow for the necessary de-watering, isolation and re-commissioning activities. Repair project works ended on September 2009, i.e. 9 months after the damages were detected.

are collecting an impressive amount of innovative solutions, mainly dedicated to the process equipment, the 'core' value for Saipem. Control systems, as well, have been further improved, to meet the increasing demand of complex and reliable operations. Innovation technology commitment is to increase the proprietary technology portfolio, maintaining a sharp focus on operations competitiveness, reliability and sustainability.

onshore

Also the technology innovation for Saipem onshore business can claim several achievements in 2009.

The Company continued incremental performance improvements to its Snamprogetti™ Urea fertilizer production technology, licensed to date to 116 units worldwide. Following the development of the design for the three largest plants in the world, currently in various phases of execution (Engro, Pakistan and Qafco V and VI, Qatar) based on single trains of 3,850 t/d, a conceptual design was developed for a future 4,200 t/d complex, utilising the same well-proven sequence of technologies. A 3,500 t/d mega-ammonia concept, which could feed potentially a mega plant to produce more than 5,000 t/d of Urea, was developed together with Saipem's partner Haldor Topsøe AS. In addition, a comparative evaluation of different process solutions was performed as part of the Urea Synthesis Zero Emissions Project.

In the field of MTBE cracking to produce high purity isobutene, a new catalyst manufacturer was certified, in order to satisfy proprietary catalyst supply requirements for two new licensees in India and Taiwan, according to the recently developed improved catalyst preparation procedure.

The process of revamping existing MTBE units in Eni refineries into ETBE production for bio fuels has been successfully completed, confirming the flexibility and the reliability of the

Saipem/Ecofuel etherification technology, both in standard and in unconventional units.

In the field of soil remediation, Saipem is very close to completing the construction of the first industrial plant at the Eni R&M refinery in Gela (Italy) of Ensolvex, a new technology for the remediation of soils and sediments contaminated by organic compounds.

Again with Eni R&M, Saipem has completed and started up the Eni R&M first semicommercial plant to remove CO₂ from refinery



streams by biofixation, using microalgae. The biomass so produced will be used for the future production of bio-fuels.

Following the first award as main EPC contractor of the GNL 3Z LNG liquefaction project in Arzew (Algeria) Saipem has consolidated the design tools needed, that are: steady/unsteady state simulation, computational fluid dynamics, resolution of main control issues, development of a simulation model for various proprietary equipment and licensed units.

Besides, Saipem has initiated the work to obtain next year an order for engineering services from Enel, in support of their CCS - Carbon Capture and Storage program, connected to the Eni-Enel alliance.

During the year, Saipem has also provided engineering and project management support to Eni on their technology development and commercial implementation, programs, foremost for the EST - Eni Slurry Technology first full size commercial unit at the Eni R&M refinery in Sannazzaro (Italy).



Adriano Lanzi, BOP in blue water

sulphur reclaiming, packaging and shipping system

description of the problem

In 2007 the production of sulphur amounted to approximately 76 million tonnes, 70% of which is represented by elemental sulphur recovered by the oil and gas industry. Sulphur demand is used for the production of sulphuric acid and in the fertilizer industry. The price of sulphur is driven by the dynamics of international supply and demand, and by the cost of transportation. At present, the only effective way to manage sulphur is either in the liquid form (maintained at 130 °C) or in prilled form (pastilles). Both the systems for sulphur management and transportation have high risks, from explosion to dust emissions, from fire to emissions of gas.

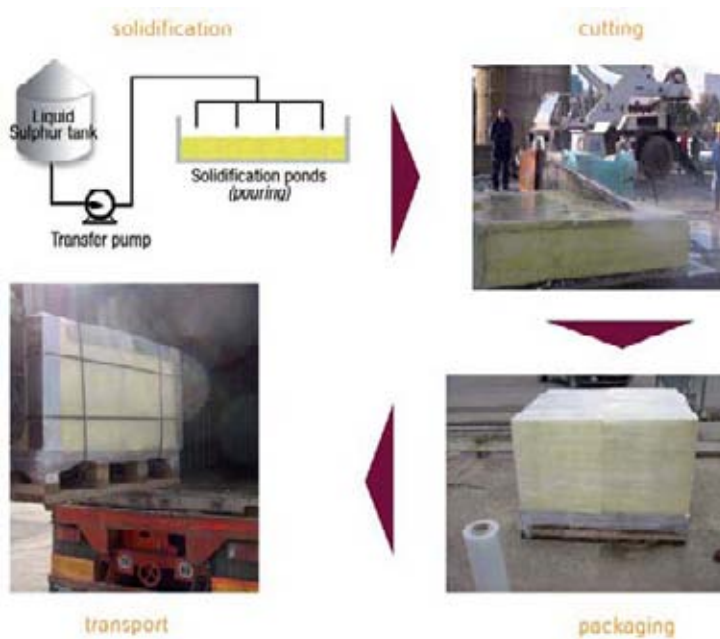
innovation

Saipem has patented a new method for transporting packaged sulphur blocks, obtained by cutting the solid sulphur. This innovative system can be used to ship shaped sulphur blocks of any size. Dust prevention is prevented by packing the blocks in a thin polyester film. The blocks isolated with wrapped film can be loaded on normal commercial trucks, railcars and cargos as non dangerous goods (as certified by SGS and authorised by the Italian Ministry of Infrastructures and Transports).

The system consists of six basic operations:

- solidification in large pond (controlled pouring);
- block cutting;
- block handling and moving;
- tagging (smart label for total quality goods monitoring from production to final client);
- block packaging and loading;
- transportation.

The sulphur can then be transported to industrial plants for sulphuric acid or fertilizers production. The proposed system is intended to simplify the entire sulphur managing chain by reducing cost, emission and risk of all operations related with sulphur management.



methodology

In order to define the contents of Saipem Sustainability Report 2009, reference has been made to the principles of materiality, stakeholder inclusiveness, sustainability context, and completeness. For the purpose of guaranteeing the quality of the information provided, the principles of balance, comparability, accuracy, timeliness, reliability, and clarity have been followed.

In order to respect these principles, Saipem has developed its own specific approach to defining the contents of the Report. This approach is focused on its stakeholders and its operating activities in the countries of operations. The list of relevant Saipem stakeholders was defined by the Sustainability Committee after a comprehensive analysis of the business, and the formal commitments towards them was updated during 2009.

The Sustainability Team has developed a structured framework to analyse the needs of each stakeholder group and to ensure that they are taken into account. All of these requirements are then assessed in relation to the company mission and strategy to develop sustainability activities and targets.

A set of Key Performance Indicators (KPIs) was selected and agreed with the Committee, to support messages presented to the stakeholders and to enable the Organisation's performance to be assessed. The identification of KPIs started from the indicators put forward by international guidelines and global best practices that were adapted to the operational context of Saipem.

Data are taken from the information systems used for the general management and accounting of company's operations or from public data made available by recognised Institutions. Some data and information were received from Saipem Operating Companies around the world.

The Report deals with the activities of the entire Saipem Group. Considering the variety and complexity of Saipem business and organisation, each year Saipem Sustainability Report, besides describing the overall yearly performance, focus its attention and describes some relevant aspects of the comprehensive sustainability approach.



Further information can be found in the previous Sustainability Reports, and in the Financial Annual Report (available at Saipem website www.saipem.it), that can help the reader to get the complete overview of all Saipem procedures and processes implemented for the sustainability, and of the Company's operating activities.

Concerning data, the consolidation area is the one considered in the Financial Report, unless otherwise specified in the text. All the data refer, unless otherwise specified, to the 2009 financial year. When available, they have been compared with those of the previous two financial years. The details of calculation methods are reported along with the corresponding graphs or indicators.

The Report is published annually and it is approved by the Board of Directors. It is distributed at the Shareholders Meeting convened to approve the Financial Report, usually held in April.

To assure the reliability of the information provided in this Report and to improve the reporting process, an external independent audit firm has performed an audit. The auditor has then issued an assurance statement, published at the end of this Report.

global reporting initiative index

	gri	 pag.	
1) STRATEGY AND ANALYSIS	1.1, 1.2	inside cover, 3, 12, 14-15, 42-51	✓
2) ORGANISATION PROFILE	2.1 - 2.10	inside cover, 6-9, 38, 43, 50	✓
3) REPORT PARAMETER			
Report Profile	3.1 - 3.4	inside cover, 4-5, 76	
Report Scope and Boundary	3.5 - 3.11	inside cover, 76	
GRI Context Index	3.12	77	
Assurance	3.13	82-83	
4) GOVERNANCE, COMMITMENTS, STAKEHOLDERS ENGAGEMENT			
Governance	4.1 - 4.10	38-39	✓
Commitment to External Initiatives	4.11 - 4.13	12-35	✓
Stakeholders Engagement	4.14 - 4.17	17, 21, 22-23, 40-41, 46, 48	✓
Economic Performance Indicators			
Economic performance	EC1, EC2	6-9, 43-49	✓
Market presence	EC5 - EC7	43, 49	
Indirect Economic Impacts	EC8, EC9	8-9, 16-19, 29, 47, 53	
Environmental Performance Indicators			
Energy	EN3, EN4	8-9, 63	✓
Water	EN8, EN9	64-65	✓
Biodiversity	EN12 - EN14	65-68	✓
Emissions, Effluents, Waste	EN16 - EN18, EN20, EN22, EN23	8-9, 63-69	✓
Products and Services	EN26	6-7, 70-75	✓



Social Performance Indicators

Labor practices & decent work

Employment	LA1 - LA3	14-35, 50-53	✓
Labor/Management Relations	LA4	18-19, 50-54	✓
Occupational Health and Safety	LA7, LA8	18, 32, 56-61	✓
Training and Education	LA10 - LA12	16-35, 52-53	✓
Diversity and Equal Opportunity	LA13	16-35, 39	✓

Human rights

Investment and Procurement Practices	HR1, HR2	15-35, 48-49	✓
Non-Discrimination	HR4	39	✓
Freedom of Association and Collective Bargaining	HR5	39, 50-52	✓
Security Practices	HR8	54-55	✓
Indigenous people's rights	HR9	16-35, 39	✓

Society

Community	S01	16-35	✓
Corruption	S02, S04	38-39	✓
Anti-Competitive Behaviour	S07	39	✓

glossary

Accident

Term to define an unplanned Event or chain of Events that results in harm to people (injury), damage to property or the environment, loss of process.

Commuting Injury

Commuting injuries are all of those, which occur whilst a worker is travelling between a place of residence (Company provided or personal) and the workplace. Commuting Injuries are not included in Lost Time Injury and in the calculation of the Frequency Rate. Occurrences where a worker is injured whilst travelling on duty are not deemed to be Commuting Injuries and are included within Lost Time Injury, Restricted Work Case or Medical Treatment depending on the consequences.

EPC contract

Type of contract typical of the Onshore construction sector, comprising the provision of engineering services, procurement of materials and construction. The term 'turnkey' indicates that the system is delivered to the client ready for operations, i.e. already commissioned.

EPIC (Engineering, Procurement, Installation, Construction) contract

Type of contract typical of the Offshore construction sector, which relates to the realisation of a complex project where the global or main contractor (usually a construction company or a consortium) provides the engineering services, procurement of materials, construction of the system and its infrastructure, transport to site, installation and commissioning/preparatory activities to the start-up of operations.

Events

Term to define all the Accidents, Incidents, Near Misses occurred during Company and Sub-Contractors activities.

Fatality

Term to define a death resulting from a Work Related Injury, regardless of the time intervening between the injury and the death. Fatalities are included when calculating the number of Lost Time Injuries and Frequency Rate.

Fatal accident rate =

$$\frac{\text{No. fatalities} \times 100,000,000}{\text{Total worked man hours}}$$

First Aid Case (FAC)

Term to define any one time treatment of minor injuries that usually do not require medical care by a physician (i.e. scratches, cuts, burns, splinters, not embedded foreign bodies in the eyes, etc.) and its eventual subsequent visits. Such treatment is considered FAC even if provided by a physician.

HSC Fuel Oil

High Sulphur Content fuel oil: it refers to the fuel oil with high sulphur percentage >1% used for the Company activity. The quantities shall be indicated distinguishing the different purposes oil has been used for.

HSE Training Hours

Include the program for:

- Introducing the HSE concepts which are obligatory under Company/legislative norms, envisaged at the time all employees were hired;
- Specific HSE programs for personnel working in emergency management;
- Specific programs for particular jobs.

HSE Training Hours have to be considered as 'Contact hours' and calculated as the hours of contact between a group of participants and the instructor. Multiplying the number of participants by the number of hours the training session took arrives at the figure to be reported. Do not include Safety Induction Training such as offshore arrival.

Incident

General term to define an unplanned Event or chain of Events not necessarily resulting in loss or in harm to people, damage to property or the environment, loss of process.

J-Lay method

J-Lay is a pipelaying method. It takes his name from the suspended shape of the pipe, which forms a 'J' going from the surface of the vessel to the seabed.

Job Safety Analysis - JSA

Is a procedure used to identify, analyse and record the steps involved in performing a specific job, the existing or potential safety hazards associated with each step, and the recommended action(s)/procedure(s) that will eliminate or reduce these hazards and the risk of a Work Related injury.

Lost Time Injury (LTI)

A LTI is any work-related injury, which renders the injured person temporarily unable to perform any regular Job or Restricted Work on any day/shift after the day on which the injury occurred. In this case 'any day' includes rest day, weekend day, holiday.

The day of the Accident is not counted when calculating Lost Workdays. Fatalities

and Permanent Total Disabilities are included in the calculation of the total the number of the Lost Time Injuries.

Lost Time Injury Frequency Rate (LTIFR)

$$\text{LTIFR} = \frac{\text{No. LTI} \times 1,000,000}{\text{Total worked man hours}}$$

Lost Workdays (LWD)

The total number of calendar days on which the injured person was temporarily unable to work as a result of a Lost Time Injury. In the case of a Fatality or Permanent Total Disability no Lost Workdays are recorded. If the Fatality occurs after several Lost Workdays, both the Fatality and the Lost Workdays have to be computed.

LSC Fuel Oil

Low Sulphur Content fuel oil: it refers to the fuel oil with low sulphur percentage <1% used for the Company activity. The quantities shall be indicated distinguishing the different purposes oil has been used for.

Medical Treatment Case (MTC)

Term to define any work-related injury (infected wounds, application of stitches, embedded foreign bodies in the eyes, second and third degree burns, etc.) that involves neither Lost Workdays nor Restricted Workdays but which requires repeated treatment by, or under the specific order of a physician or could be considered as being in the province of a physician. Medical Treatment does not include First Aid even if this is provided by a physician or registered professional personnel.

Near Miss

It is a hazardous Event/Incident which, under slightly different circumstances, could have caused an Accident affecting even people, environment or assets.

Offshore/Onshore

The term offshore indicates a portion of open sea and, by extension, the activities carried out in such area, while onshore refers to land operations.

Safety/Hazard Observation Card

It is a generic term, used to identify all the situations, conditions observed and reported by the personnel employed in a Project or Site. Observation reported are always dealt with immediately after notification, solved by means of short-term action and recorded.

S-Lay method

S-Lay is a pipelaying method. It takes his name from the suspended shape of the pipe at the end of the barge, which lays in a gentle 'S' from the stinger to the seabed. There have been four generations of lay-barges and the vessels are of two types: anchor and dynamically positioned (DP).

Stakeholder

A company stakeholder is a party who affects, or can be affected by, the company's actions, such as: Employees; Customers; Shareholders; Suppliers; Labour unions; Government regulatory agencies; NGOs and other advocacy groups; Local and national communities; Competitors.

Toolbox Talks - TBT

Brief (10-15 minutes) meetings, focused on particular safety issues, conducted prior to work commencing by a supervising person whose responsibility is to assure that the appropriate information is given to promote awareness and understanding of all the potential hazards which may affect the safe and efficient job completion.

Total Recordable Incidents (TRI)

Term to define the sum of Lost Time Injuries (including Fatalities and Permanent Disability Cases), Work Restricted Cases and Medical Treatment Cases.

Total Recordable Incident Frequency Rate (TRIFR)

$$\text{TRIFR} = \frac{\text{No. TRI} \times 1,000,000}{\text{Total worked man hours}}$$

Work Related

A case is Work Related any time it occurs within the Site Boundaries and within the working time (normal or overtime). An event is also considered Work Related when the exposure in the working environment is the discernible cause or contribute to an injury or significantly aggravates a pre-existing injury. The work environment includes the Site Boundaries and other locations where one or more Company and Subcontractor employees are present as a condition of their employment. Work Related are also all those Events involving Company personnel when working within a Third Party Site (i.e. Inspectors, Surveyors, Auditors, etc.).

Work Restricted Case (WRC)

Term to define any work-related injury not resulting in days away from work, which renders the injured person unable to perform at normal capacity all or part of his regular job any day after the day in which the injury occurred. In a WRC the injured person is temporarily assigned to another job or excused from performing certain parts of his normal duty. An injury can be classified as WRC only upon written non objection statement of the injured person.

abbreviations and symbols used in the report

/d: per day

/year: per year

€: euro

AMOS: Asset Management Operating System

B: billion

BOD: biological oxygen demand

COD: chemical oxygen demand

FEED: Front End Engineering Development

FPSO: Floating Production, Storage and Offloading vessel

GHG: greenhouse gas

GRI: Global Reporting Initiative

HSE: Health Safety Environment

HAZID: Hazard Identification

HAZOP: HAZard and OPerability analysis

IPIECA: International Petroleum Industry Environmental Conservation Association

kboe/d: thousand barrels of oil equivalent per day

ktoc: thousand metric tons of oil equivalent

LTIR: Lost Time Injury Rate

M: million

MTCDE: million tonnes carbon dioxide equivalent

MW: megaWatt

kWp: kiloWatt peak

NMVOCs: Non methanic volatile organic compounds

PDA: Personal Digital Assistance (Personal Handset)

PM: particulate matter

ppm: parts per million

SR: Severity Rate

toe: tonnes of oil equivalent

TRIFR: Total Recordable Incident Frequency Rate

TSS: Total Suspended Solids

VOC: volatile organic compounds

WRC: Work Restricted Case

assurance statement



INDEPENDENT REPORT ON THE LIMITED ASSURANCE ENGAGEMENT OF THE SUSTAINABILITY REPORT 2009

To the Shareholders of
Saipem SpA

- 1 We have carried out the limited assurance engagement of the Sustainability Report of the Saipem Group (hereafter the "Group") as of 31 December 2009 (hereafter the "Report") following the procedures summarized in paragraph 2 of the present document. The Board of Directors of Saipem SpA are responsible for the preparation of the Report in accordance with the principles adopted to define the content and the quality of the information that are detailed in the paragraph 'methodology' of the Report. The Board of Directors are also responsible for the definition of the Group objectives regarding the sustainability performance and the reporting of the achieved results. We are responsible for the preparation of 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" (ISAE3000), issued by the International Auditing and Assurance Standards Board (IAASB). ISAE3000 requires the compliance with ethical principles ("Code of Ethics for Professional Accountants"), including professional independence. It also requires that our work is planned and performed with the aim of obtaining a limited assurance, rather than a reasonable assurance, that the Report is free of material errors. A limited assurance engagement of the sustainability report consists in interviews, primarily with company's personnel responsible for the preparation of the information included in the sustainability report, in the analysis of the sustainability report and in other verification procedures. The verification procedures performed on the Report are summarized as follows:
 - a) comparison between the economic and financial information and data included in the Report with those included in the Group consolidated financial statements as of 31 December 2009;
 - b) analysis of design and implementation of governance and management framework of sustainability topics related to strategy and operation of the Group;
 - c) analysis of the processes underlying the generation, recording and management of quantitative data included in the Report. In particular, we have carried out the following procedures:
 - meetings with management representatives of Saipem SpA, Petrex SA, Saipem SA and Saipem Misr, to achieve a general understanding of the information, accounting and reporting systems in use to prepare the Report, as well as of the internal control processes and procedures supporting the collection, aggregation, processing and transmission of

PriceWaterhouseCoopers Advisory SpA

Engel & Jour, Milano 20149 Via Monte Rosa 31 Tel. 02/57201 Fax 02/6720571 - Cap. Soc. 1.800.000 € - Italy - C.F. n° PWA 01567060150
Reg. Imp. Misr n° 3330741360 - Abn. Imp. Bari 70124 Via Don Luigi Guanella 17 Tel. 080/645211 Fax 080/642244 - Firenze 50121
V. S. A. Guasco 15 Tel. 0424/42811 Fax 0424/22359 - Padova 35139 Via Vicenza 4 Tel. 049/73671 Fax 049/73499 - Palermo 90141 Via
Mancusi Ugo 60 Tel. 091/246513 Fax 091/269291 - Roma 00154 Via de' Feltri 28 Tel. 06/70851 Fax 06/7032596 - Torino 10129 Corso
Mendola 100 Tel. 011/773211 Fax 011/773295 - Treviso 31100 Viale Feltrinelli 143 Tel. 0422/449011 Fax 0422/507022 - Trieste 34121 Via
Cesare Battisti 18 Tel. 040/3487181 Fax 040/564737



data and information to the department responsible for drawing it up. These companies were selected on the basis of a qualitative and quantitative risk analysis:

- on-site verification of the subsidiary Petrex SA (Peru) by visiting the headquarters in Lima and the logistic base in Talara;
 - on-site verification of the activities connected with the Melchorita project (EPC Marine Facilities for LNG export) as carried out by the CDB Melchorita (a consortium participated by Saipem SA) in Melchorita (Peru)
- d) analysis, on a sample basis, of the documentation supporting the Report, in order to confirm the reliability of data and information collected through meetings, interviews and on-site verifications and to confirm they were properly managed;
- e) verification of how data and information are managed in the selected sites and how they are subsequently aggregated and consolidated at Group level
- f) analysis of the completeness and internal consistency of qualitative information included in the Report compared with the principles identified in paragraph "methodology" of the Report;
- g) verification of the dialogue activities with Stakeholders, with reference to the methodology used and to the analysis and correspondence of internal minutes with the information included in the Report;
- h) obtaining a representation letter, signed by the legal representative of Saipem SpA, relating to the completeness and reliability of the Report and of the information and data included in it, as well as with the principles identified in the paragraph "methodology"

A limited assurance engagement is less in scope than a reasonable assurance engagement carried out in accordance with ISAE3000 and, as a consequence, it provides a lower level of assurance that we became aware of all the significant events and circumstances that a reasonable assurance engagement could have identified.

Regarding the comparative data relating to the 2008 Sustainability Report, reference should be made to our assurance statement dated 6 April 2009

- 3 Based on the procedures carried out, nothing came to our attention that causes us to believe that the Sustainability Report as of 31 December 2009 is not in compliance in all material respects, with the principles referred to in the paragraph "methodology" of the Report

Milan, 1 April 2010

PricewaterhouseCoopers Advisory SpA

Paolo Bersani
(Partner)

(2)

more on saipem

reports and publications



financial report

Details of Saipem's financial and operating performance in the year.



saipem at a glance

Saipem history and development, Mission and core values, all in a document.



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 in the sustainability issues.



Saipem communicates its financial and non-financial commitments and performance in both print and online media on the Company's Website www.saipem.it

You can order Saipem's printed publications or ask for more information writing to:

investor.relations@saipem.eni.it
for financial information;

segreteria.societaria@saipem.eni.it
for corporate information;

sustainability@saipem.eni.it
for sustainability information

Headquarters: San Donato Milanese (Milan), Italy
Via Martiri di Cefalonia, 67

Branches:

Cortemaggiore (PC) - Via Enrico Mattei, 20



saipem

saipem Società per Azioni

Capital stock: €441,410,900 fully paid

Tax identification number and Milan Companies' Register

No. 00825790157

Feedback

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

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

Contact

sustainability@saipem.eni.it

Special thanks to all those who contributed to the elaboration of this report

Website: www.saipem.it

Operator: +39-025201

Design: Gruppo Korus - Rome - Italy

Cover: Inarea

Layout and supervision: Studio Joly Srl - Rome - Italy

Printing: Impronta Grafica - Cantù (Como) - Italy

This document is printed on: Fedrigoni Group's pure ECF (Elemental Chlorine Free) cellulose paper, FSC certified, with high content of selected recycled material. This paper is produced at a facility certified ISO 14001 and is fully recyclable.



www.saipem.it