

saipem



Sustainability Report 2010

Mission statement

Pursuing the satisfaction of our clients in the energy industry, we tackle each challenge with safe, reliable and innovative solutions.

Our skilled and multi-local teams create sustainable growth for our company and the communities in which we operate

Our core values

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



Saipem has declared a B+ application level for its 2010 Sustainability Report.

introduction

Delivering sustainable value	2
A letter from Pietro Franco Tali, CEO	2
How to read this Report	4
Assurance and Perspectives	5
Saipem at a glance	6
Commitments, results and objectives	8
Commitments and practices towards Stakeholders	10
Engagement with local communities	10

saipem distinctive approach: local content

Integrated into the local context through our business	12
Full Local Content Implementation	14

making sustainability a reality

Our Business-oriented Sustainable Model	20
Algeria	24
Angola	27
Azerbaijan	32
Brazil	35
China	37
Congo	39
Indonesia	43
Iraq	46
Kazakhstan	48
Libya	54
Nigeria	56
Peru	62
Saudi Arabia	68

a reliable fleet at the forefront of technology

New cutting edge vessels and significant upgrading of operating vessels, continuous improvement of safety systems	72
--	----

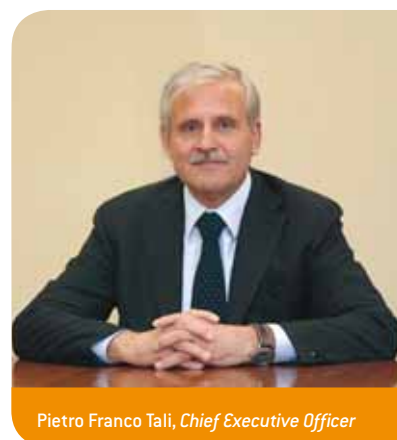
sustainability talent

Sustainability as a core company value	78
Organisation, management and control model	78
Saipem Sustainability Organisation	80
Sustainable business strategy	82
Overview on market scenarios	82
Dialogue with the financial community	87
Working with Suppliers and Subcontractors	88
Saipem People	90
Saipem counts on its human resources	90
Ensuring Security for People and Assets	94
Committed to health promotion	96
Saipem's safety imperative	100
We are concerned about our environment	104
R&D of Environmental Protection Technologies	104
Saipem's environmental management system	106
Technology Innovation	110
Methodology note	113
Glossary & calculation formula	114
Global Reporting Initiative index	116
Overview of the experts' panel	118
Assurance statement	119

Throughout this report, the yellow world denotes content that is partially or exclusively featured online, on saipem website www.saipem.com



delivering sustainable value



Pietro Franco Tali, Chief Executive Officer

a letter from Pietro Franco Tali, CEO

Our sustainability performance in 2010 is, again, a sign of our willingness to engage with the stakeholders interested in, and affected by, our business.

This fifth annual Saipem Sustainability Report represents a significant milestone in our reporting methodology and reflects improvements in our management system. More importantly perhaps, it epitomises our aim of providing a meaningful contribution to the growth and prosperity of our clients, suppliers, shareholders and local stakeholders; a challenge that never ceases.

A company like Saipem must organise itself strategically for the medium-to-long term, and then manage short-term volatility. However in a world where economic trends, natural resource needs, development geography, technology, etc., can also change quite rapidly, it is necessary to be prepared to adapt strategy, organisation, behaviours; sometimes quite rapidly. Whereas the recent economic turmoil appears to have abated, I believe we have weathered it relatively well as a result of this approach. Sustainability provides a fundamental contribution to this process, especially to development of our long-term strategy.

Along with China, Brazil and India – the new leaders of economic growth – several other countries are emerging that see new opportunities and have a new urgency in improving the quality of life of their people through development.

Saipem can certainly play a positive role in this context through its sustainability approach. Our culture, our tradition, experience, and our 'adaptiveness', give us a unique opportunity not only to be a reliable partner, but also a proactive entity, which contributes to the development of the host communities, in countries that wish to accelerate the realisation of their expectations.

This role is largely based on our local content strategy, which leverages not only our capacity to create jobs and direct economic value, but also prioritises the development of human capital through comprehensive training and transfer of technology initiatives.

This Report illustrates how the concept of Safety in its widest sense (related to our people, to the environment, to third parties, and communities) is embedded in our culture and our operational procedures. Previous phases of our Leadership in Health and Safety Programme endeavoured to address fundamental cultural issues associated with Health & Safety in Saipem. In 2010 our safety performance showed further significant improvement that supports our belief in the Programme's effectiveness. We had 6 fatalities. This is completely unacceptable. Analysis of recent serious accidents in Saipem indicates that Competence, rather than Culture, has become the prevalent underlying cause. This is a huge challenge for a company that currently executes 280 million 'manhours', predominantly in underdeveloped areas with people of many very different backgrounds, levels of education, training, etc. Accordingly a new set of training initiatives, and a new phase of Leadership in Health and Safety program, is designed to increasingly address this challenge. There is no doubt that we must be relentless in the pursuit of further improvement.

The Report 2010 covers all the main sustainability issues, and both generally and, frequently, in considerable detail. Our deep-rooted presence in the principal countries where we operate is illustrated further. The 'here to stay' philosophy is evolving towards a 'here to grow together', with very positive implications for several categories of stakeholder. Our idea of sustainable development is strongly based on this commitment and vision. I am confident that you, the stakeholder, will be interested in reading this document to understand how Saipem is committed to contributing to a sustainable development.

Pietro Franco Tali

Deputy Chairman and Chief Executive Officer

how to read this report

social, economic and industrial events in 2010 led to outline this year's report contents so that information on saipem's performance is yet clearer and more comprehensive for all its stakeholders

The report focuses on strategic subjects of Saipem's sustainable business: maximisation of **Local Content** and Saipem's **integration** in the areas where it operates; management of operating activities according to the highest standards of **efficiency** and **safety**; excellence of Saipem's **people**.

The Report is an expression of a formal commitment made by Saipem and declared in its Mission and Sustainability Policy, that 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 document is aimed at providing a comprehensive view of Saipem's business, by reporting the Group's operations according to their qualitative and quantitative features. Given its structure and contents, the report mainly target specialist audiences interested in Saipem's sustainability performance, such as analysts, investors and major international clients.

The Report is based on the three main macro-topics that characterise Saipem's approach to sustainability:

- the maximisation of Local Content;
- the integration with the hosting communities;
- the 'sustainability talent' as distinctive cross-cutting attribute of Saipem business model.

However, a 120-page report can provide a high-level overview only, and a preface to all sustainability issues, which Saipem daily works on. Therefore, the annual Sustainability Report is integrated with other valuable communication and reporting tools:

- Saipem's corporate **website** – www.saipem.com – which contains a wide range of additional information and a specific section on more relevant subjects from a sustainable point of view;
- **Country and Project Case Studies**, which Saipem has published since 2003 and periodically updates, primarily designed to provide a dialogue with local stakeholders, by focusing on a specific project or country and describing ongoing activities, the best practices implemented and the results achieved by Saipem and its Operating Companies in the sustainability issues. 🌐

Saipem annually publishes the Sustainability Report, **approved by the Board of Directors** before its publication and **presented at the Shareholders Meeting** for concomitant approval with the consolidated Financial Statements.

In order to define the contents of this Saipem Sustainability Report, reference has been made to the principles of materiality, stakeholder inclusiveness, sustainability context, and completeness. With the purpose of guaranteeing the quality of information provided, the principles of balance, comparability, accuracy, timeliness, reliability, and clarity have been followed. More details are given in the Methodological Note at the end of the document.

Saipem uses a multi-channel approach to communicate with Stakeholders



Dedicated channels to effectively reach all the Stakeholders with an integrated approach



This is Saipem's fifth Sustainability Report. The previous reports, starting from 2006, are available in the Sustainability Reporting section and documentation on Saipem's website, www.saipem.com.

assurance and perspectives

Saipem believes that ten years of independent assurance for its sustainability reporting has helped to improve the reliability of information and data disclosed and make the Company's internal reporting systems more robust.

Responding to the increased confidence and reliability in the systems that this long-term assurance has enabled, this year Saipem asked the Assurance Company to limit their review of qualitative and quantitative information reported in the document to checks at Corporate level only, removing from scope review at project sites, as performed in previous years. The assurance statement by Ernst & Young can be found at the end of this document.

As an additional stakeholder-oriented evaluation of Saipem's reporting, this year a Panel of Experts has been set up. It is composed of members of society coming from institutes and organisations known at international level, who do not currently have any binding contract or ongoing significant business activity with Saipem. They can therefore be considered as independent.

This Expert Panel has been created to complement Saipem's commitment to transparent and comprehensive communications of its sustainability performance and to gain further comfort on the quality of our sustainability reporting, as well as to learn from their useful feedback that such a process provides.

The Experts were chosen according to their area of expertise, their independence and ability to provide constructive comments on the contents and quality of the Report. As independent Experts they were required to express their own opinion, which does not necessarily represent the position of the organisations that they work for.

The Experts analysed the final draft Report and commented on the completeness and pertinence of the issues reported, highlighting the key strengths, weaknesses and areas for improvement for Saipem sustainability reporting. Within the relevant sections of the Sustainability Report, the Experts' comments are included. Saipem believes that these commentaries provide the reader with an authoritative view on the activities' status, performance and challenges that Saipem reports on.

Saipem considers these comments as valuable input to continually improve its communication with external and internal stakeholders. To substantiate the objectivity and fairness of the Expert Panel, an external organisation was contracted to manage the process. BSR (Business for Social Responsibility) selected the Experts and facilitated direct discussions with the Experts to enable their understanding of Saipem's businesses and objectives in sustainability reporting. BSR also collated the Expert review commentaries and checked that they have been inserted to this Report without censorship or subjective editing. At Saipem's request, BSR have provided the Experts with an honorarium of limited amount, to appropriately value the Experts' devoted time in reviewing the Report effectively and providing constructive commentaries for Saipem.

Starting this year, a **Panel of Experts, coming from independent institutes and organisations, expresses an opinion on Saipem Sustainability Report.**

saipem at a glance

**Operations in more than
130 countries**

**Total Workforce 41,174 employees
of which more than 77%
locally employed**

Operating Revenues €11.2 billion

the turnkey contractor of the oil and gas industry

Saipem, owned 42.9 percent by Eni and listed on the Milan Stock exchange, is a global contractor, with an embedded presence in all continents and a strategic location in the main areas of interest for the oil industry. The Saipem Group structure, including operating subsidiaries and their ownership, is shown in the consolidated financial statements. The ability to develop projects in remote areas is guaranteed by a solid network of activities supporting these projects, based on: ability to set strong and efficient connections between local activities and the corporate; logistic support assured all over the world for the project's employees, assets and supplies; proven ability to locally manage the wide range of challenges, either managerial and human, to be faced in remote areas.

Saipem membership in associations

Saipem participates in several initiatives and associations that mainly aim at sharing technical good practices of the sector, such as ANIMP (Associazione Nazionale di Impiantistica Industriale - Italian Association of Industrial Plant engineering), CEI (Comitato Elettrotecnico Italiano), IADC (International Association of Drilling Contractors), IMCA (International Maritime Contractors Association), IPLOCA (International Pipeline

sustainability rewards

Saipem has achieved numerous acknowledgements from rating agencies and institutions during 2010. Following the inclusion in the Dow Jones Sustainability Index STOXX in 2010 Saipem has been also included in the DJSI World. Moreover, Saipem admitted to the FTSE4Good Index in March 2010, and confirmed during the revision in September. Saipem was selected for inclusion in the Ethibel EXCELLENCE Investment Register and has been included in the ASPI (Advanced Sustainable Performance Indices) Eurozone®. For the second year, Saipem was recognised as a 'Sustainability Leader' for the Oil Equipment & Services sector in the SAM Sustainability Yearbook 2010.

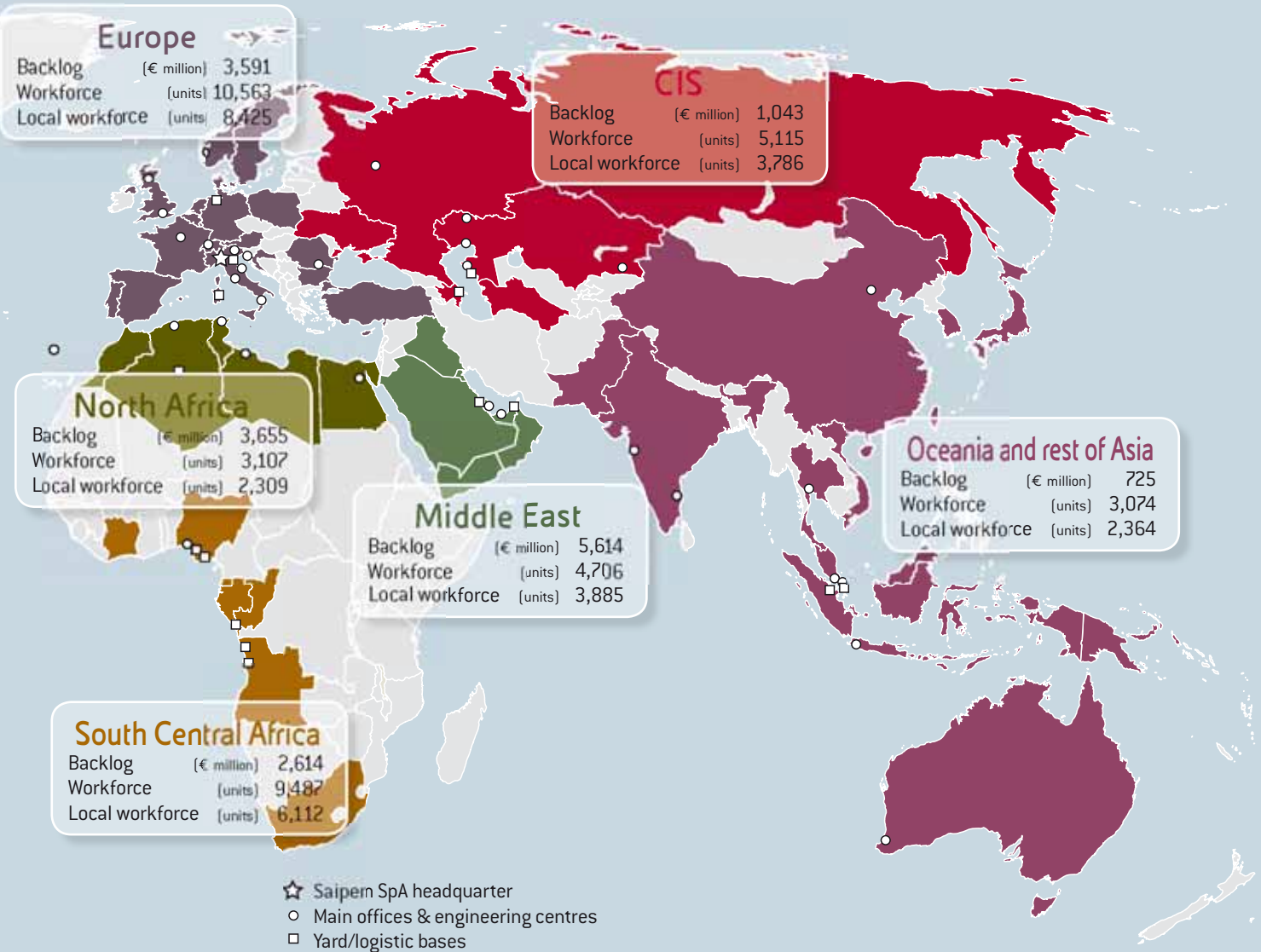


operative performance

- Operating Revenues **€11.2 billion**.
- New contracts awarded **€12.9 billion** (€9.9 billion in 2009).
- Backlog stood at a record level of **€20.5 billion**.
- Operating Margin **€1.8 billion**, or **15.0%**.
- Operating Profit **€1.32 billion**, or **14.1%**.
- Laying of approximately **1,365 km** of pipelines **offshore** and **385 km onshore**.
- Installation of **46,606 tonnes** of plant and equipment offshore and **874,428 tonnes** of equipment onshore.
- Drilling of **44 wells offshore** and **279 onshore**, totalling approximately **1,010,906 metres** drilled.

& Offshore Contractors Association), OICE (associazione delle organizzazioni di ingegneria, di architettura e di consulenza tecnico-economica - Association of Italian engineering, architectural and technical economic consulting organisations),

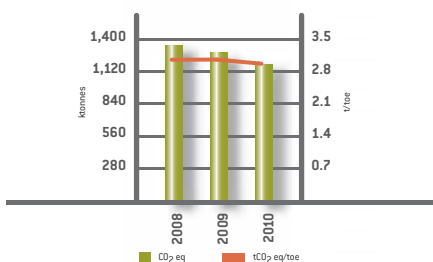
UNI (Ente Nazionale Italiano di Unificazione), SGI (Società Geologica Italiana), for a total of 33 associations. Moreover, a number of Saipem's employees personally participate in several associations and with different roles.



environmental performance

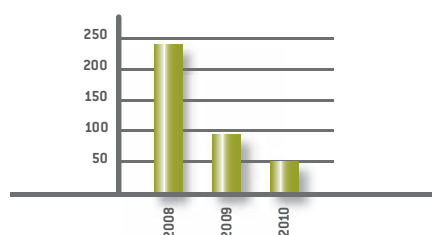
- Total energy consumption (**412 ktoe**) decreased by **13%** compared to 2009.
- **64%** of the energy sources was **diesel**.

ghg emissions



- **209 tonnes** of waste were generated in 2010, **10%** hazardous waste and **90%** non-hazardous waste.

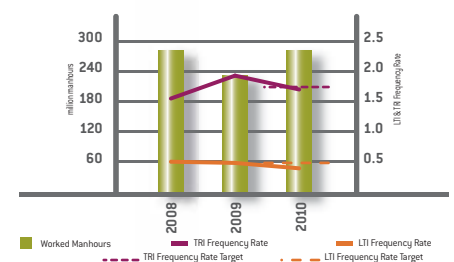
oil spills



people

- **41,174** people, from **122** nationalities, of which more than **77%** are locally employed. **14,351** employees covering critical roles. **4,439** Women.

safety performance



commitments, results and objectives

commitments

2010 results

people

- Ensure the safety of all people working for Saipem

- 121 LiHS workshops organised in 33 different countries, 138 cascading events, 205 Five Starts trainings. Signed Constitutional Statute of the LiHS Foundation.
- Roll-out of the new safety reporting system and use on all operating sites/projects.
- HSE forum for 35 Nigerian subcontractors organised by Saipem Contracting Nigeria Ltd.
- Started reorganisation of HSE training programs for employees, to align methods, tools and contents.
- Development of an internal guideline for identification and analysis of Safety-Related Control System, on testing on CastorOne jacking system and J-Lay tower.
- OHSAS 18001 certification acquired for Saipem Mediteran Usluge doo.

- Ensure and promote the health of Saipem's people

- Continue implementation of the eHealth system, including applications like telecardiology, telediabetology, teleconsultation, electronic health record system, Health intranet portal.
- Continue implementation of the Cardiovascular Disease Prevention Program, started in 2009. 923 Electocardiography recordings analysed through the telecardiology program.
- Continue implementation of the Malaria Control program in all the 42 Saipem's sites located in high-risk malaria areas. 99.85% of non-immune employees (Saipem and subcontractors) attended the malaria awareness Lecture.

- Develop human capabilities and competences, enhancing working environment and fostering the HR management system.

- Development of the 'Generation Y' project, dedicated to a better understanding of characteristics and motivational aspects of young employees born after 1980.
- Engagement analysis addressed to all middle managers of Saipem SpA, Saipem Energy Services SpA, Saipem sa, Sofresid Engineering sa, Saipem UK and Snamprogetti Ltd.
- Mapping and rationalisation of the International Industrial Relations, to ensure a common approach to the subject.

- Ensuring security for people and assets

- Starting with inclusion of Human Rights protection provisions in private security contracts. Launch of a Security awareness Program.

communities

- Improve and consolidate stakeholders relationship, contributing to local development

- Implementation of the Externalities Evaluation methodology quantifying the impacts of Local Content strategy in Angola and Peru.
- Alliance between Saipem Asia Azerbaijan branch and SOCAR (State Oil Company of Azerbaijan Republic).
- Frame agreement with USTO (Université des Sciences et Technologies d'Oran) in Algeria.
- Saipem Asia Azerbaijan branch joined the Junior Achievement Azerbaijan (JAA) in the program 'Sustainability for the future'.
- Cooperation with Karaganda State Technical University and Kokshetau University of Kazakhstan.
- Health awareness campaigns at local health structures in Angola, Congo, Peru, Nigeria, Kazakhstan.
- Execution of design activities to implement a pilot phase for the Food Plus Biodisel Project in Angola.
- Saipem Beijing implemented the 'Chinese Suppliers Safety & Self-Protection awareness Campaign', involving 37 local vendors.

governance & sustainability management

- Maintain and strengthen a governance system capable of managing the challenges of Saipem business and the realities where it works, in a sustainable way

- Translation of the Code of Ethics into 12 languages and divulgation.
- Issue of Saipem Anti-corruption procedures.
- The Board of Directors approved the updating of Model 231 (extention of its application to data processing crimes under Article 24-bis of the Legislative Decree No. 231/2001).
- Identification of 4 new Sustainability Facilitators in Algeria, Nigeria, Congo, Indonesia.
- An Experts Panel, coming from independent institutes and organisations, has been set up to express an opinion on Saipem Sustainability Report.
- Assessment of systems in place in Saipem's realities to engage with local stakeholders, including grievance mechanisms.

business & clients

- Compliance with Clients' requirements and satisfaction toward Saipem performance

- Utilisation of the new Customer Satisfaction web tools and first results.
- ISO 9001:2008 certification acquired for Saipem SpA Aharjah branch (Arab Emirates) and Saipem Contracting Algérie SpA (Algeria), for a total of 25 certifications in place.

environment

- Manage and minimising environmental impacts across the life cycle of operations


- Launch of the Environmental awareness Campaign on 'Energy saving', 'Oil spill prevention' and 'Waste segregation' topics.
- On-going campaign of implementation of the Eni Corporate software for monitoring the green house gas emissions onboard some of Saipem offshore units.
- Implementation of water saving and reuse strategies in Qatar, Kazakhstan and Peru.
- ISO 14001:2004 certification acquired for Saipem Mediteran Usluge doo and FPSO Cidade de Vitória.

2011-2014 objectives

- Continue dissemination of Leadership in Health and Safety program to all management levels, including a focus toward subcontractors where appropriate. Increase the spread of Five Stars Intervention training. Implement a company wide communication campaign focusing on Saipem's identified Leading Behaviours.
 - Continual improvement of monitoring and reporting of safety performance data, including investigation on incidents and corrective actions implementation, in order to allow improvements of HSE management system.
 - Meetings/workshops/forums with main subcontractors to spread HSE culture, Saipem's requirements and facilitate implementation of procedures.
 - Continue implementation of HSE training programs. Collaboration with British Safety Council and System Improvements.
 - Continue the Asset Integrity process on the offshore fleet units [extensive Risk Assessment for identification of major accident events and control measures].
 - Further development of the HSE management System in line with ISO 18001 standards. Certification of Saipem SpA.
-
- Use of telecardiology system in the majority of operating units. Integrate all health reports into the electronic medical program GIPSI. Further develop more e-Learning courses accessible through intranet.
 - Continue implementation of the Cardiovascular Disease Prevention Program. Creation of a Saipem wellness program for employees. Further development of the Stop Smoking campaign.
 - Implementation of prevention campaign by promoting the use of insecticide-treated mosquito nets and permethrin impregnated clothes.
-
- Continue implementation of 'Generation Y' project, that shall end with a new monitoring procedure issued for young new employees.
-
- Continue implementation of ongoing projects.
-
- Implementation of the Externalities Evaluation methodology quantifying the impacts of Local Content strategy in strategic countries (Algeria, Suriname, refresh Kazakhstan).
 - Cooperation with local Universities and other educational institutions to improve the standards of local educational systems.
 - Development of programs and initiatives to enhance the level of local suppliers and to increase their capabilities to comply with international standards.
 - Execution phase of the Food Plus Biodiesel Project in Angola.
 - Development of HSE related initiatives aimed at improving HSE culture and awareness within local communities.
 - Promotion, participation and cooperation in initiatives aimed at improving local entrepreneurship and self-employment.
-
- Integration of the vendors qualification system with the requirements on Social and Labour Rights respect.
 - Reinforcement of the Sustainability organisation within the group, mainly via identification of Sustainability facilitators in all Saipem sites of relevance.
-
- Presentation of the Externalities Evaluation analysis to major clients.
 - Full implementation of the Customer Satisfaction management project, and relevant tools, on all projects.
 - Further diffusion of Quality management systems in line with ISO 9001 requirements.
-
- Enhance environmental protection awareness, through specific information campaigns on 'Water saving' and 'Ecological footprint'.
 - Ensure effective prevention pollution by definition of new methodologies and tools for environmental protection. Implementation of environmental incentive schemes.
 - Achieve a Third Party certification for corporate GHG calculation methodology.
 - Initiatives to reduce energy consumption and/or increase renewable energy production/use.
 - Further development of Environmental management System in line with ISO 14001 standards. Certification of Saipem SpA.

commitments and practices towards stakeholders

an open dialogue with all stakeholders is a value-creating process for saipem as it is important to learn and understand their positions

This helps the company to take into consideration any 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, Saipem has implemented a flexible and diversified approach to stakeholder engagement. Hence, a dual approach has been implemented in Saipem to better meet any stakeholders' need, identifying and engaging with stakeholders at both corporate and local level. At corporate level, a process of stakeholder identification has been carried out , followed by the definition of the main messages and commitments to stakeholders. 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, by identifying the most relevant local stakeholders and defining suitable and effective ways to create a dialogue with them.

engagement with local communities

According to this general approach, Saipem's Operating Companies can have different ways to engage with local communities according to the characteristics of the project and the country in which the operations are carried out. However, most Saipem's Companies operating from a long-term perspective in a country have identified a framework system to guarantee an open and transparent relation with local communities. This includes the identification of a reference person responsible for relationships with local communities, dealing with grievance mechanisms for collection, analysis and reply of possible requests or complaints from the communities. Periodical meetings can be organised with local communities' representatives to discuss possible remarks and observations, improvement opportunities and the definition of community action plans.

saipem main activities of stakeholders engagement

INSTITUTIONAL INVESTORS & SHAREHOLDERS 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. As part of its institutional financial communications, in 2010 Saipem organised 27 roadshow days and attended 11 international investors' conferences and events. Reference page: 87.

CUSTOMERS Saipem implements a formalised customer satisfaction process, based on meetings and questionnaires whose results are reviewed by management. In parallel, data on client complaints are collected and analysed at project level to identify any possible risk of repetition or causes of anomalies which require corrective or preventive actions. The relationship with the clients, especially at project sites, is often characterised by a daily engagement aimed to achieve the best project result. Reference pages: 85-86.

EMPLOYEES & TRADE UNIONS In addition to established policies related to performance management and evaluation, during the first quarter of 2010 Saipem began a project of engagement analysis addressed to the middle managers population, involved approximately 3,400 resources. Moreover, in March 2010 was launched a survey addressed to all the company's graduates born between the 80's and the 90's, within the so-called 'Generation Y' project. The Company has signed agreements with Universities and has continued its cooperation with several local educational institutions. During 2010, Saipem also reinforced its internal processes for the international relations with institutions and trade union organisations. Reference pages: 90-93.

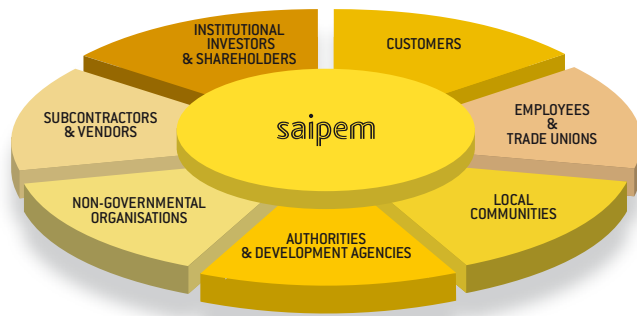
LOCAL COMMUNITIES Engagement with local communities is managed both through official initiatives and events and through informal day-by-day contacts.

For example, this year Saipem has promoted health campaigns in Angola in cooperation with the Ambriz local hospital; in Nigeria the Company works in strong integration with local communities part of a broader framework agreement based on Memoranda of Understanding; in Kazakhstan many social initiatives have been supported by the local operating companies. Reference pages: 29, 41, 45, 50-53, 59-61.

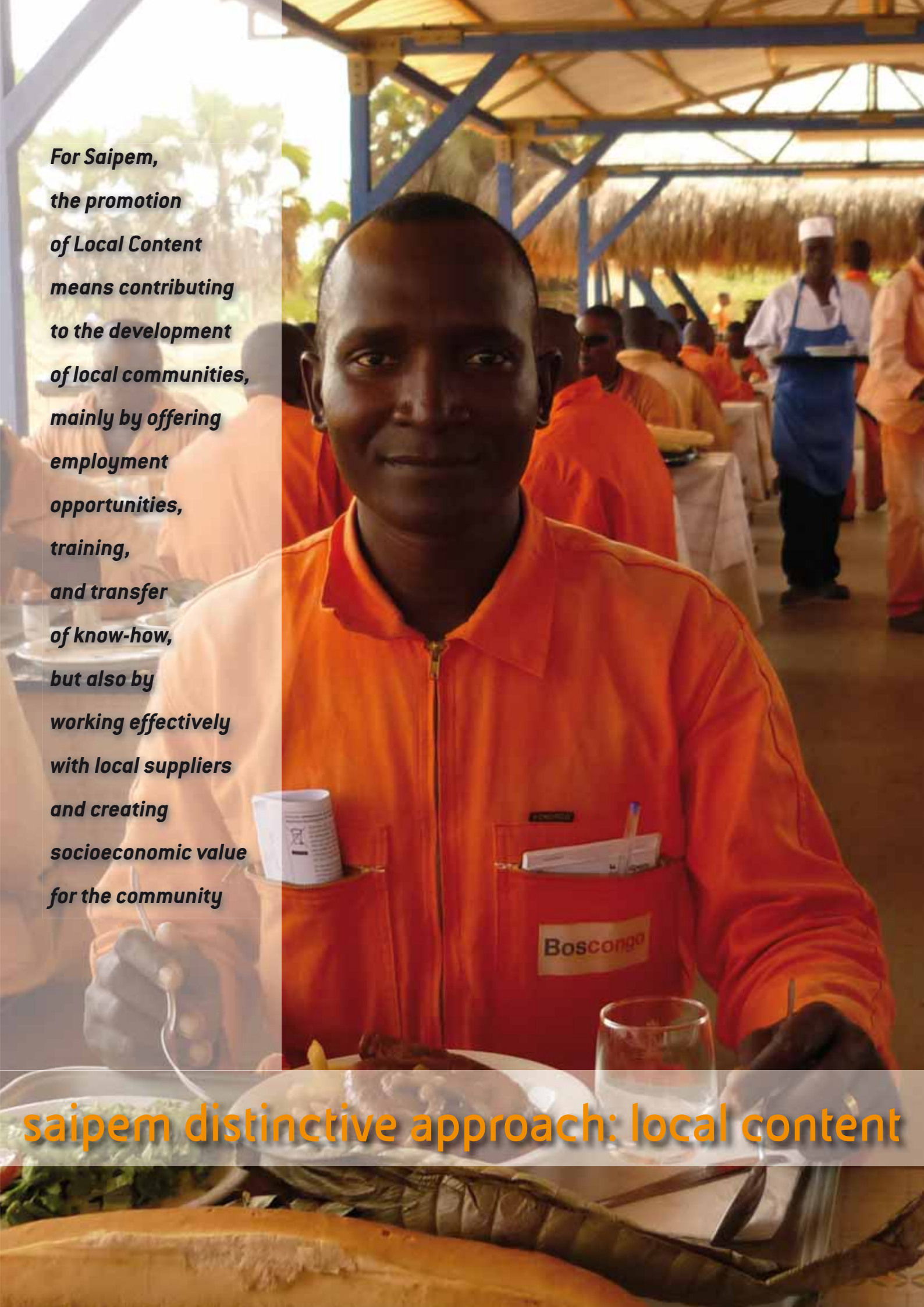
AUTHORITIES & DEVELOPMENT AGENCIES Saipem frequently engages in dialogue with Authorities and Development Agencies. In several countries Saipem is working under Memoranda of Understanding (MoUs) signed with local authorities. In November 2010 Saipem has signed a multi-year MoU with the Ambriz Municipal Administration to collaborate in the 'Alegria do Ambriz' project. In Angola Saipem is working also on the Food Plus Biodiesel project in a jointly work team with Eni, Sonangol and the local Ministry of Agriculture and INCA. Saipem Azerbaijan has signed an alliance with SOCAR, the government-owned Oil Company in the ACG Product Sharing Agreement. Reference pages: 29, 33, 41.

NON-GOVERNMENTAL ORGANISATIONS In 2010 Saipem continued its cooperation with NGOs, mainly focused on local community development. For example, in Azerbaijan, Saipem joined the local representatives of the Junior Achievement Worldwide (an international non-profit youth organisation) in a program called 'Sustainability for the Future'. In Peru, the Company cooperated with local NGOs and associations in development entrepreneurial promotion initiatives. Reference pages: 33, 63-65.

SUBCONTRACTORS & VENDORS Working effectively with vendors and subcontractors requires close communication. To ensure that this takes place, Saipem has developed a process based on surveys and events to provide continuous feedback to its suppliers. Forums were organised to promote the QHSE culture and approach within the Company's suppliers and subcontractors network. In particular, in China Saipem organised the 'Chinese Suppliers Safety & Self-Protection Awareness Campaign'. In Kazakhstan, Saipem is also involving vendors and contractors in sustainability activities. Reference pages: 37-38, 48, 61, 103.



*For Saipem,
the promotion
of Local Content
means contributing
to the development
of local communities,
mainly by offering
employment
opportunities,
training,
and transfer
of know-how,
but also by
working effectively
with local suppliers
and creating
socioeconomic value
for the community*



saipem distinctive approach: 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

The discovery and exploitation of new oil and gas reserves, primarily in some emerging economies, and the growing demand for energy and oil products from developing countries have shifted the new investments in the oil & gas industry decisively towards new world markets. The new oil & gas producing and consuming countries are mostly characterised by rapidly expanding economies, so there is a great need to provide new jobs to growing local populations. Consequently, in the definition of Saipem's new project execution plans, maximising 'Local Content' becomes increasingly important and in certain contexts essential, as this is often even mandated by clear, local governmental policies.

Saipem works in complex contexts where the challenges of a sustainable development should be well known, as well as the need to take into consideration stakeholders' interests – those stakeholders 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. From the outset, Saipem has always applied a comprehensive local content approach, aware that this is the 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.

Besides this, as a contractor for 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: firstly, a long-term presence where Saipem has construction yards or other fixed facilities; secondly, 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 a long-term or a short-term one.





Advantages for Saipem:

- improve **quality of local employment** through training and know-how transfer - with consequent reduction in use of expatriate workers and in internal costs;
- improve **relationships with local communities**;
- improve **perception of the company** in local communities, that have better knowledge of what the company does and how it contributes to the well-being of local people;
- create the conditions for a **climate of mutual trust**, thus guaranteeing its 'licence to operate';
- **reduce HSE risks and incidents** due to increased training and awareness among local employees.



Effects on local communities:

- creation of **economic value** by directly **employing local people**;
- contribution to local economic growth by promoting the use of **local suppliers and subcontractors**;
 - social benefits, in terms of **know-how and competences**, among **local employees**, who can increase their value in the labour market, and among local manufacturers and service providers, that can improve their technological and managerial expertise;
 - positive indirect effects on **social stability and wellbeing** of local population through the benefits of employment and increasing economic value.

full local content implementation

Definitions usually given to the words ‘Local Content’ at international level can lead people to think that its realisation is possible in some confined business areas only, where a

The maximisation of Local Content is a business principle valid in all Saipem’s operating realities, regardless of Clients and legal institutions’ requests.

technical level does not exceed a base threshold and integration with local communities is fair. For Saipem, the maximisation of Local Content is a business principle universally valid, whose realisation is steadily evaluated and supported in all operating realities, regardless of the requests from clients and local institutions.

The following three sections deepen the issue of Local Content, as a commitment on the part of Saipem to the development of the hosting realities and a key point of business strategy in society, declined in all the three main branches of business in the Company.

offshore operations Sustainability, on the sea and on the earth



By **Giovanni Turrini**,
Offshore Fabrication Yard Coordination

Saipem’s offshore construction skill is supported by Company presence spread all around the World, thanks to a vast grid

of offices, engineering centres, fabrication yards and logistic bases.

Saipem’s Fabrication Yards are multidiscipline fabrication areas primarily servicing the Offshore Business Unit within its EPIC (Engineering, Procurement, Installation, Construction) Projects, as well as all fabrication needs of Saipem Group. This unique feature of being involved in several disciplines and products guarantees a continuous learning and sharing process.

Another fundamental characteristic of all Saipem yards is their location: they are strategically positioned at the oil frontiers around the world with a clear commitment to being permanent local players in each area. This is one of the key elements of Saipem’s mission: its ability to develop all sorts of projects in remote areas in the most important oil and gas development provinces.

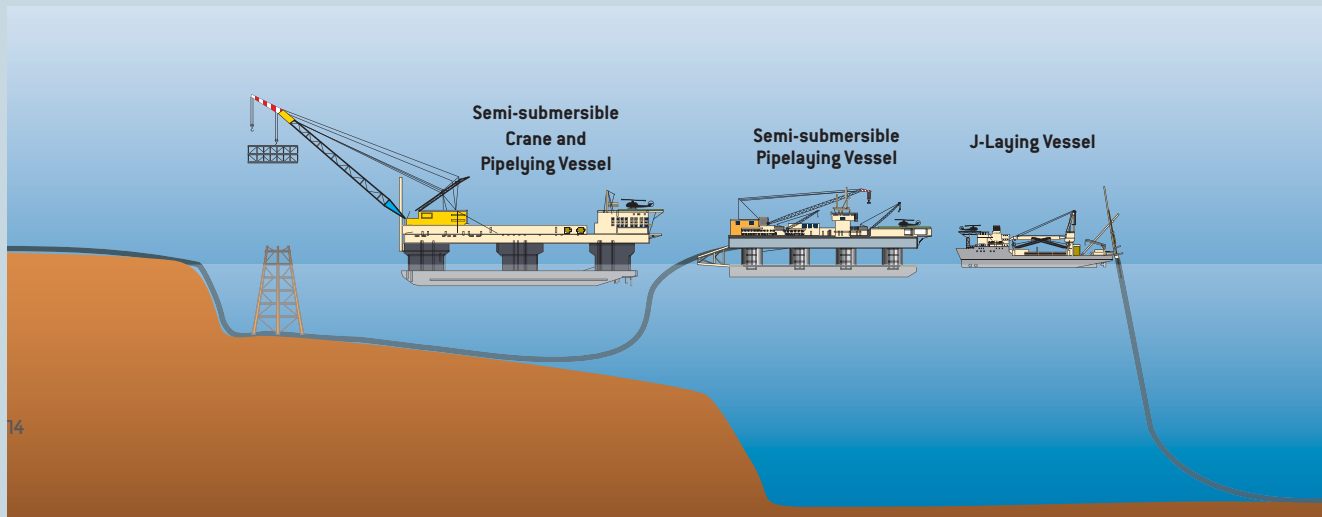
The success of Saipem’s Projects is achieved through a solid network of project support activities built on three fundamental core competencies:

- the capability to establish strong connections between the operating companies and the corporate in view of a constant growth of localised capacities, inclusive of engineering, procurement and fabrication workforce;
- a worldwide logistic support for personnel, assets and project materials;
- a recognised-capacity to locally manage the wide-ranging challenges that must be faced in developing countries.

In a highly interconnected business, the problems of the communities where Saipem’s people live and operate affect on our overall works and Saipem always tries to find solutions

Offshore

Saipem’s pioneering work in pipeline installation is matched by its experience in installing offshore platforms. Saipem is an integrated EPIC 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, as well as marine terminals and conventional buoy moorings. Saipem owns a strong, technologically advanced and highly-versatile fleet, as well as world class engineering and project management expertise. Saipem’s capabilities are supported by significant fabrication yards based at the core of major oil and gas provinces (Angola, Azerbaijan, Congo, Kazakhstan, Nigeria, UAE, Mediterranean Sea and Indonesia), with a potential fabrication of 130,000 tonnes per year.



Saipem Offshore Fabrication Yards

Italy	Arbatax
Angola	Soyo
Angola	Ambriz (operative from Nov. 2010)
Nigeria	Port Harcourt
Congo	Pointe Noire
Azerbaijan	Baku
Kazakhstan	Kurik
Saudi Arabia	Dammam
Indonesia	Karimun (operative from May 2011)
Subcontract yards:	
UAE	Dubai Dry Dock
UAE	Lamprell
Indonesia	Sembawang - Batam

to cooperate at local level. These sites will have a future only if Saipem is able to consider long-term benefits following the cooperation with the communities where it operates.

In Saipem Fabrication yards there are **more than 8,000 working people**, of whom around **90%** are **local resources**. The *employment and training programs* set up for different trades and activities needed at our sites, are the first and most important way to pursue integration with local communities. In addition to the number of people employed, Saipem considers the use of *local suppliers and subcontractors*, in order to extend significantly the economic impact of our activities onto the communities where Saipem is present. Particular attention is given to the *management of cultural diversity* through frequent, formal and informal meetings dedicated to sharing different opinions and ideas, as well as through the participation in the local Associations of Commerce and Industry.

As per Saipem's strategy in the Fabrication sites, *environmental aspects* constitute another key feature of the sustainability policy of Saipem Group. Potential impacts of yard activities associated with the mobilisation and accommodation of workers is evaluated in the Environmental Impact Assessments. Studies are carried out on *social infrastructures development* (potable water production and waste management), coasts and lands preservation and *biodiversity protection* (especially in highly sensitive zone, like the ones in the proximity of natural parks or fishing areas).

The support of local communities is made also at a *social level*. Therefore, special attention is given to initiatives aiming at promoting the improvement of health conditions in villages and regions surrounding the yard sites. Support to *local medical dispensaries and clinics* is given both in terms of hardware (medical equipment and furnitures) and software (consulting

services and know-how for medical and paramedical resources].

Training for *local young generations* is another important element of sustainability. We strongly believe in the cultural growth of the new generations living in the areas where Saipem operates, as this constitutes a fundamental factor of progress in a business that has been demanding the involvement of more and more competent people. Saipem is currently supporting local schools through regular consultations held between the Yard Site Management, Schools Teachers and Public Managers. Preferable areas of intervention are the *Technical Vocational Public Schools*, where an immediate connection with our business activities is more evident.

drilling operations Pioneerists at the field



By **Fabio Rondini**,
Drilling Business Senior Vice President

Drilling is one of the first activities to be commenced in an oilfield. As a result, especially in less developed countries, Saipem's drilling group is necessarily committed to seeking, finding and developing local resources to support its operations as we are often the first to arrive at the field.

Employment, training and opportunities for advancement of local workforce are part of this development as Saipem aims at fostering capabilities of local people to become highly qualified drilling personnel. This is done through technical, job-specific and skill trainings to advance our local employees inside the company so that they can become Saipem's drilling hands. Some technical training courses have to be completed in advance and can be supplemented with 27 different post-study workshops. The cornerstone for local people's access to development opportunities is job experience, that can be gained through a position in Saipem Drilling BU and is the central pillar of a successful career advancement in an oil industry. It should be mentioned that, given the nature of our business, our workforce consists of a small cadre of drilling personnel running our rigs, so the total effect of our employment on a country does not have so large an impact as our larger construction projects in terms of numbers of people employed. Nevertheless, the development of local personnel is a key element of our strategy.

Another key to sustainability entails utilising local business to provide services and products required in our drilling operations.

Logistics and transportation are among the services that are often provided by local business and in areas where Saipem has

deep roots and a long presence. More sophisticated services such as catering, machining, welding, inspection and other trademark services required by Saipem Business Unit and drilling contractors, are generally provided by local sources.

Even in the least developed areas, local providers often supply oil, lubricants and consumable drilling-related products. As with services provided by locals, the longer our presence is the more mature an oilfield becomes, the larger the range of products and materials available from local sources is.

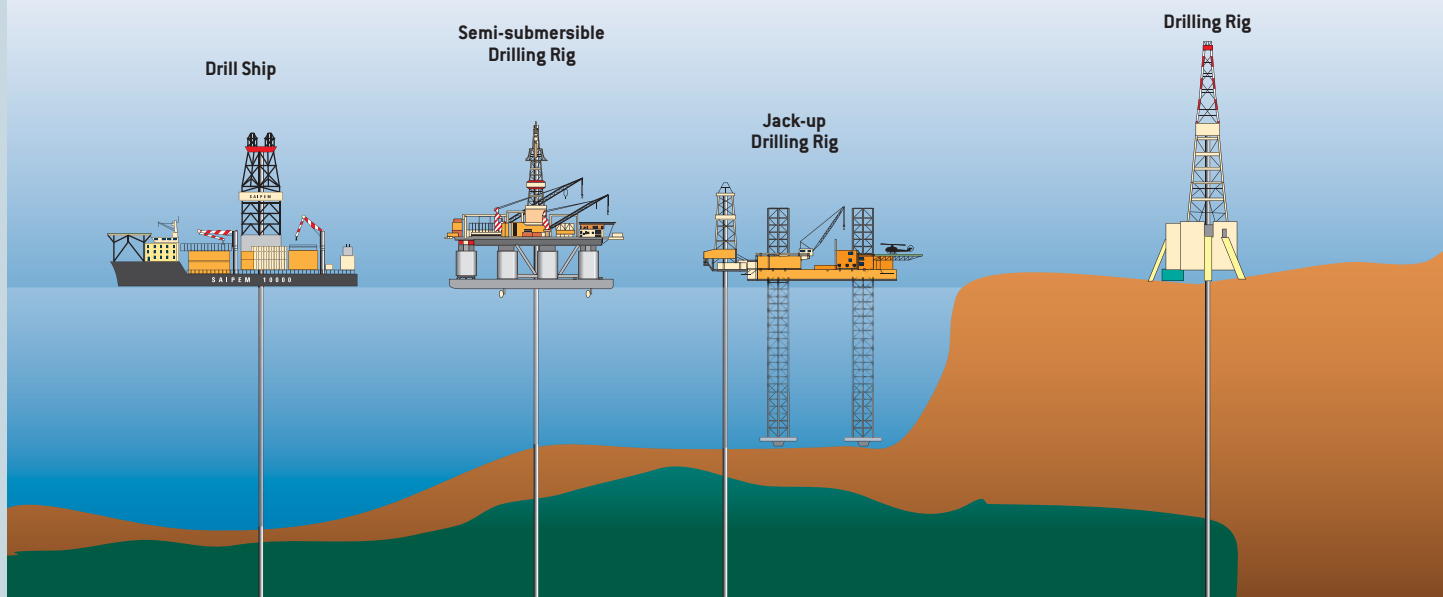
Some locally provided services and products, such as transportation and logistics, are generic. However, as mentioned earlier, in those countries where Saipem has deep roots and a long history as in Kazakhstan, Angola, Nigeria, Algeria, Congo and Peru, more specific oilfield products and services have become available, as local entrepreneurs have realised that long-term and sustainable business can be built to meet Saipem's and industry requirements in their area.

Finally, willingness to use and develop local resources requires a significant corporate commitment to the areas where we do business. Saipem has demonstrated this commitment many times so far, as we recently did in Kazakhstan. Saipem has a joint venture with a Kazakh fabrication firm named Ersai, which recently procured, fabricated and assembled specialised drilling equipment for two rigs that we are operating in Kazakhstan. The level of expertise to produce state-of-the-art drilling equipment locally, is a testimony to Saipem's sustainability.

This business model is not only important in providing sustainability for local economies but also represents the fundamentals of a good corporate citizenship. Saipem's sustainability policy is simply a good business practice, as it provides local infrastructure operations that can be far more effective and accessible than external resources, and builds long-term relationships which are essential to long-term business in those areas where we operate.

Drilling

Saipem's vast experience in managing drilling activities, associated with an adequate technological and operational level, have progressively developed the Company's actual capabilities. As an international drilling contractor operating in some of the harshest onshore and offshore environments, Saipem is presently contracted to major Oil Companies carrying out important drilling programmes in Europe, Former Soviet Union countries, North and West Africa, Middle and Far East and Americas. Offshore, Saipem operates both in shallow and deep water using jack-ups, semi-submersible units, a tender assisted drilling vessel and a drill ship. Onshore, Saipem operates with more than 100 Rigs self-owned.



onshore operations

Maximising Local Content: a need and an opportunity



By **Daslav Brkic**,

Onshore Business and Technology Development

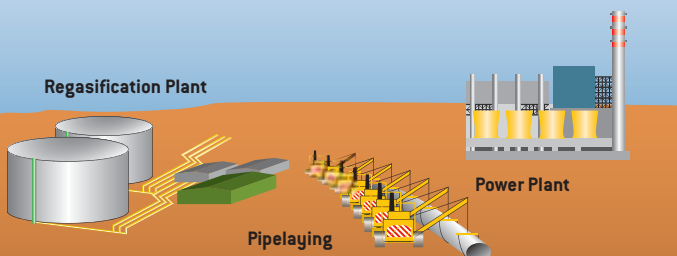
Saipem has been at the forefront among the global Engineering and Construction companies not only in accepting the growing demand for Local Content from local governments, but in making it the essential component of our project execution and corporate growth strategy, starting with the creation of Saipem Nigeria Ltd, in Lagos, Nigeria, in 1967, Saudi Arabian Saipem Ltd in Al Khobar, Saudi Arabia, in 1976, and many others.

In emerging economies with major oil & gas production growth prospects, Saipem increasingly relies on local personnel for the performance of ever more highly specialised and skilled services, such as design, project management, local sourcing, construction, etc. Saipem has therefore invested considerably in the development of many new centres for local engineering,

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.

Land pipeline design and construction has historically been one of the mainstays of Saipem's business. The Company plays also a significant role in the design and execution of large-scale civil infrastructure projects and offers integrated environmental remediation services, such as those relating to soil and ground water and contaminated sites.



project and procurement management, as well as in sizeable fabrication and construction support facilities, transferring there its considerable know-how.

Throughout, the Saipem Business Unit Onshore exploits internal synergies with the activities and investments of the other two business units, particularly in the development of local fabrication yards.

In particular:

- over the years the Business Unit Onshore has expanded significantly the capabilities of one of its earlier engineering centres in Nigeria. Today, many projects for the Nigerian market can be designed and executed entirely from the Nigerian local offices and support facilities. This applies also to the involvement of our project execution centres in Al-Khobar, Saudi Arabia; Sharjah, Abu Dhabi and more recently Dubai in the UAE, as well as elsewhere;
- during the last years, the creation and the subsequent expansion of Saipem Contracting Algérie SpA has become a major success story. The 700-plus people office in Algiers now provides an ever increasing contribution to managing the execution of a multibillion portfolio of new project awards under way in Algeria;
- following the successful conclusion in 2008 of two large projects in Canada, Snamprogetti Canada Inc has been recently established in Calgary, Alberta, Canada, to provide local engineering and project management for our growing portfolio of new project awards, not only in Canada, but also in other markets, such as Mexico;
- in addition to performing detailed engineering and technical support services on a wide range of Saipem's projects around the globe, the high quality resources in Chennai and Delhi, India, have been recently applied also to select Saipem's initiatives in the local Indian market;
- the recent expansion of SA.LI.CO. in Tripoli, Libya¹, and the development of Saipem's new presence in Iraq via the Sajer joint venture are just the newest examples of Saipem's consistent growth strategy based on an unwavering commitment to local content.

Local presence is much more than hiring local workers and graduate engineers. Indeed, Saipem strives to assure a sustainable, long-term presence in its markets, via particular technology and know-how transfer; graduates hiring via programs with local universities; expanded health protection and safety programs.

The results of this approach are highly positive: in the long-term, greater local content reduces project risk and improves project execution efficiency, with considerable benefits to Project Owners, to Saipem and to the local communities: a real 'win-win' outcome.

[1] The information reported on Saipem's activities in Libya refer to the situation as at 31 December 2010. Recent on-going events in the country could imply changes in the Company's business strategy.

Sustainability is a source of competitive advantage and business enabler.

The nature of Saipem's business and its decentralised organisation lead to a local strong presence and sustainability commitment.

Saipem sustainability model, integrated with its business strategy, allows to dialogue with its stakeholders, aligning its activities with their expectations

making sustainability



a reality

our business-oriented sustainable model

It is impossible to separate the concept of doing business from the one of working responsibly and contributing to a socio-economic development, by using a large local workforce and enabling those employees to become well-qualified, working in close collaboration with local suppliers and applying high-level safety and environmental standards.

For a Company like Saipem, with a strong decentralised structure and a multicultural organisation, focusing on all sustainability-related issue is an important way to respond to the complex and ever changing requests of its clients.

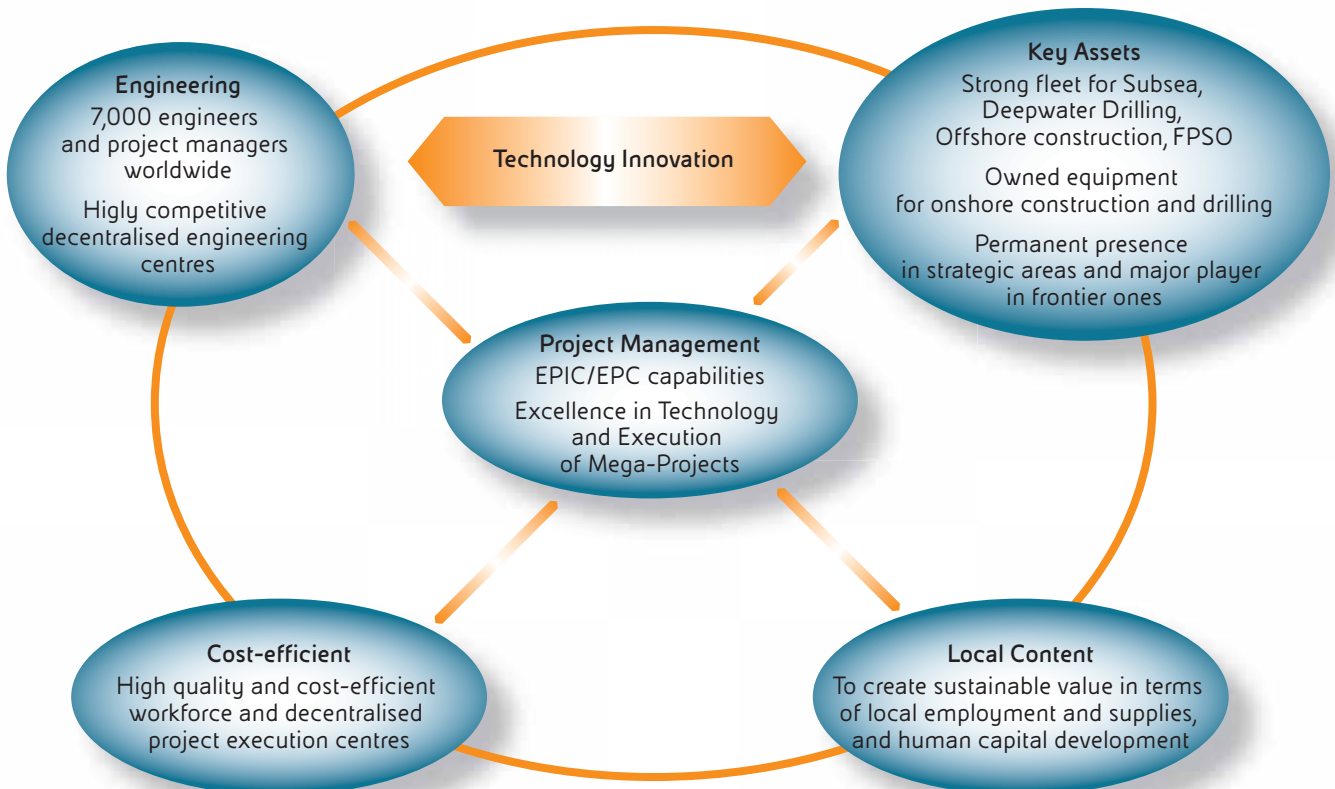
Long-lasting and sustainable investment is becoming more and more important, indeed essential, in areas such as local workforce employment, local engineering, construction and project execution capabilities, and know-how transfer. These commitments are sometimes required by local regulations and/or contractual terms, while at other times they are just advisable: however, in both cases, they are elements of a very clear trend.

Besides this, the role of the National Oil Companies (NOCs) is continuously growing. As a result, the profile of Saipem's clients is evolving [percentage of business coming from NOCs 57%] and the need for real actions toward sustainability, including 'local content', is consequently growing very quickly, particularly in those countries where the demographic trends require job creation on a massive scale.

In terms of sustainability issues, as a contractor and a local content-oriented company, Saipem is aware that its business model is relevant from both a quantitative and qualitative point of view.

The current economic context has provided further evidence of the effectiveness of the company's local content strategy, as shown in the following 'Country Fact Sheets', which includes the maximisation of local people, the creation of new opportunities for local suppliers

Saipem's Business Model





Yves Woïgard - Ammonia jetty

experts panel comments

Saipem is making genuine efforts to improve its non-financial reporting. The inclusion in this report of third-party commentary, in addition to audit based verification, is a useful innovation and one that should be retained in future reports. The most apparent strength of the report is the particular attention given to local content. This indicates a willingness to respond to the growing demands from governments, local businesses, effected communities and wider civil society that the immediate benefits associated with building, operating and maintaining assets are realised. Too often services contractors depend on their clients to provide a lead, so it is encouraging to see Saipem distinguishing itself by actively developing a comprehensive approach to local content management. Local content presents both costs and benefits to the companies involved. Whilst the costs are usually short-term, many of the benefits are long-term and require a strategic perspective. This is recognised by Saipem's 'onshore business unit' (page 17) and it is hoped that this view is reflected across the business.

The report sets out the strategy and vision for local content and provides substantial country specific material that demonstrates how they are realised in practice. This approach will enable stakeholders to find information that is directly relevant to them, although the degree of detail available depends on where they are located. Stakeholders in Angola for example will have access to the results of a stakeholder

survey and detailed quantitative and qualitative data relating to Saipem's performance. Those in Azerbaijan in contrast will have to make do with a largely anecdotal description of progress. The inconsistency of how local content data is presented is a weakness of the report. Saipem should consider developing metrics to measure the quantity and quality of local content and apply them consistently across its business. This would help ensure consistency in reporting to its stakeholders and provide a benchmark to measure progress over time.

The report does not explicitly address the issues of 'materiality' (i.e. how it was decided what was important enough to be included in the report) and 'stakeholder inclusiveness' (i.e. who the companies stakeholders are and what is understood to be their reasonable expectations). Readers gain a sense of these issues through reading the report but it would better if it was spelt out explicitly.

The report does not appear to be structured on any of the established non financial reporting frameworks or if it is, this is not made explicit. Consideration should be given to structuring future reports on one of the established generic frameworks or IPIECA's recently published 'Oil and Gas industry guidance on sustainability reporting'. It is likely that this would help address the relative weaknesses that have been identified in what is otherwise an impressive report.

Petter Matthews



Roberto Fregoni - Saipem way

experts panel comments

Focus on West and Central Africa

Extracting natural resources bears substantial impact on both the environment and human activities located in the concerned region. In an African context, an incorrect approach to relations with local communities may endanger immediate business operations as well as their sustainability. Uneven integration of these activities into the local economy may trigger limited synergies for long-term economic growth – while creating regional imbalances, and mortgaging the development potential of future generations. In increasingly democratised African states, fulfilling these CSR principles goes hand-in-hand with enhanced collaboration between multinationals and representatives of state institutions, traditional authorities, civil society groups, and society itself. It is therefore in the interest of long-term business viability and profitability that international companies strengthen the local economy, build local capacities, and preserve the environment in full respect with national Law and international standards.

To enhance this West and Central African success story, Saipem could further develop training opportunities for its employees, and broaden its cooperation with national training institutes and universities. Mentorship programmes at managerial level

could enhance the company's institutional memory within sites as well as between countries, in order to learn from best practices. Saipem's encouragement of entrepreneurial skills could be built upon, for instance, by stimulating the start-up of local companies, or instituting a volunteering programme in grassroots community projects. Finally, the percentage of local employees in West and Central Africa (87%) remains slightly below Saipem's own average of 90% local staff ownership. The 2010 Sustainability Report could also indicate how many local employees hold managerial positions. Additionally, the Report could highlight common practices and differences of approach between Saipem's operations throughout Africa. Brief cross-country comparisons would show how the group builds upon best practices in order to uphold its business principles. To enhance transparency, the Report could mention how Saipem's Country Teams solved specific challenges that affected the implementation of its local content approach. It could be revealing to relate local projects to principles enshrined in its Code of Ethics, for instance, by stating whether Saipem resorted to the 'tools for implementing the Code of Ethics', and how it added value to its activities.

Arthur Minsat

Competence is the main asset of our onshore business



Among the excellent results of the merger between Snamprogetti and Saipem, it is important to mention the creation of a unique range of globally integrated competences. Our people's competences are key elements in our onshore business, an immaterial business which transforms itself into a 'product', into tangible assets for our clients.

Moreover, our onshore project activities are complex due to their intrinsic multidisciplinary nature and the large number of stakeholders involved. For this purpose, behavioural and interpersonal communication competences are also important, as well as the capacity to work abroad, often in uncomfortable environments, the skills necessary to enhance local content, the ability to manage appropriate relationships with clients, vendors and subcontractors, and the personal capabilities to lead, to take charge of our actions and to be thoroughly results oriented.

Pietro Varone
Chief Operating Officer Onshore Business Unit

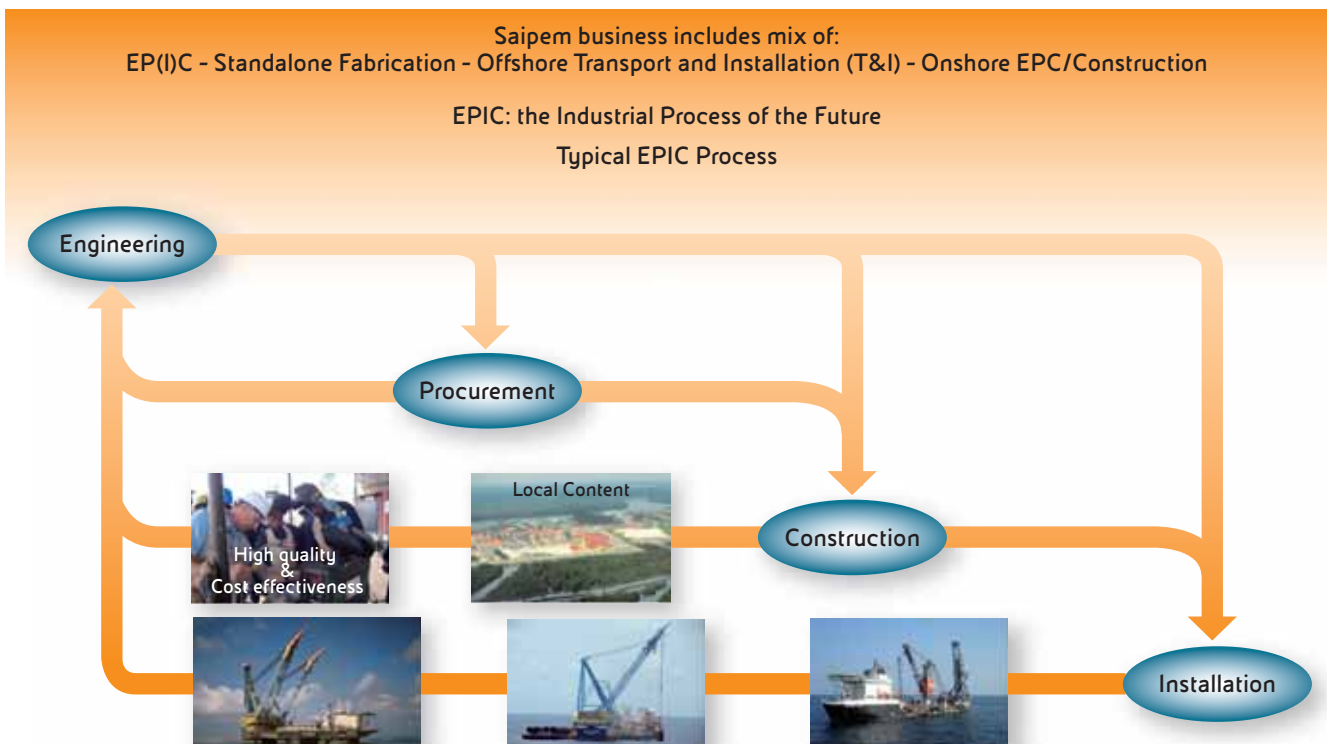
and a contribution to local economic development. This brings numerous advantages to Saipem and to local communities where we operate, generating wealth and developing human capital. The commitment to sustainability is also crucial for executing projects successfully, often in difficult and unstable socio-economic conditions, while reinforcing the company's long-standing and deep-rooted presence in communities in several parts of the world.

'Sustainability Talent' summarises in two words Saipem's approach toward sustainability: it is the expression of a natural attitude in Saipem that describes a comprehensive way of doing business covering every aspect of our work, from environmental management to safety and health care.

Empirical evidence of the positive effects of this approach can be found both in the countries where Saipem has a long and stable tradition and in the new areas of activities.

The following examples of activities and achievements around the world show how Saipem's continuity and adaptability to local contexts and cultures are not only a moral imperative but also strong drivers for a competitive advantage.

EPIC Projects Scenario



Algeria

A socially aware contractor



By **Taoufik Ferhat**,
Deputy CEO of Saipem
Contracting Algérie SpA

While our fundamental purpose is to create maximum shareholder value, we want to ensure that the business we are doing is sustainable. Saipem in Algeria has a deep interest in the economic welfare of the community with which there is a daily interaction.

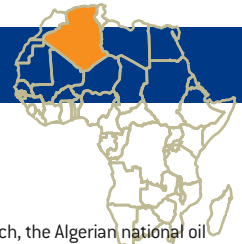
I think that, from my own perspective as a businessman, our company is truly committed to recognise and manage the impact of our business and the contribution of such business to society. We have been operating in different circumstances in view of long-term mutual advantages.

We always try and develop strategies which allow Saipem in Algeria to be competitive and create value. On this purpose a local company called Saipem Contracting Algérie SpA has been set up. Saipem Algérie is actively committed to being successful in all operations. Successful results are founded on responsibility and start with responsible actions that promote safety and integrity, minimise any impact on the environment and provide a healthy and safe workplace to employees.

In Algeria, we pursue world-class oil and gas projects for Sonatrach and partners; this is the reason why we stay focused on the significant impacts that our operations could have on the socio-economic environment of local communities.

We seek to contribute to Algeria's long-term growth by working responsibly in all our activities in order to show our steady commitment to Algeria.

ALGERIA



Saipem Presence since:	early '50s
Personnel in the Country:	2,563, of which 76.4% are locals
Most relevant projects:	<p>In Algeria Saipem works for Sonatrach, the Algerian national oil company. During 2010 work was completed on the EPC-type UBTS (Unité de Traitement du Brut et de sa Stabilisation) project, for a crude oil treatment and stabilisation plant.</p> <p>Work completed also on the EPC-type project LZ2 Hassi R'mel-Arzew, which comprised 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.</p> <p>Construction work continued on the EPC contract for the construction of infrastructure of an LPG treatment plant in the Hassi Messaoud oil complex, and on the EPC-type LNG GL3Z Arzew contract (liquefaction plant and utilities, a generator set and jetty).</p> <p>Construction activities started on the EPC project for Sonatrach and First Calgary Petroleum for the construction of facilities for the treatment of natural gas extracted from the Menzel Ledjmet East field, and on the EPC contract for gas pipeline GK3 - lot 3 (gas pipeline system from Mechtatine to Tamlouka in the northeast of Algeria, which then connects the latter to Skikda and El-Kala, located on the northeastern coast of the country).</p> <p>Work continued on the Ammonia-Urea Arzew EPC contract, for a marine export terminal for a future urea/ammonia plant to be built near the Algerian city of Arzew.</p> <p>7 rigs has worked for onshore drilling activities.</p>
Main sites of long-term presence:	Saipem works in Algeria as Saipem Contracting Algérie SpA (SCA), registered in Algeria since 2005. The company's head offices are located in Algiers, while an operational base is near Hassi Messaoud. Drilling activities are managed by Saipem Algerian branch.

With a constant view to sustainability, we have signed agreements with local universities to conduct intensive training programs fully aligned with our business and integrated in our strategic business operations. The goal behind these initiatives is the creation of local job opportunities and people's openness to new horizons.

As part of a collaborative effort, we are also providing trainers to prepare local operators and welders for international practices. It is also worth pointing out the promotion of gender parity and opportunities within our local organisation at any level.

Saipem Algérie strives to be a force for good and human progress in Algeria. Saipem companies in Algeria have defined



a vision and strategy to guarantee their long-term presence in the country and maintain a fruitful relation with their stakeholders. In particular, it is highlighted the importance of strengthening the relationship with all clients, primarily the Algerian Company Sonatrach and all its partners to develop a win-win type relationships and stimulate a spirit of partnership founded on the permanent search for equity.

The development of local content and integration between Saipem and local economic and social structures has been fundamental to fulfill this aspiration.

Saipem Contracting Algérie SpA, the Operating Company of Saipem in Algeria, has been created to rationalise the activities and enhance support to Saipem Group and its projects in the country while developing its expertise as a stand alone Regional EPC Contractor.

SCA has rapidly grown in the last few years, becoming a well established provider to the Algerian oil and gas contracting sector, bringing enhanced technical expertise and valuable local knowledge.

SCA is committed to continuously improve local content both in terms of use of

local suppliers and subcontractors as well as occupation of local resources to be involved directly in EPC projects, strengthening their competencies for know-how sharing.

Moreover, Saipem Contracting Algérie SpA identifies a series of initiatives addressed to the local population every year. Considering the Algerian context and the activities Saipem is carrying out in the country, such initiatives are addressed to the improvement of local education and the creation of expertise in youngsters to increase their competence and, therefore, their opportunities on the job market.

ALGERIA



Vendor performance improvement on a long-term relationship

Interview with Mr Hadjadj Yassine, Khayac GTPH Sarl General Manager

The company, born in 1983, Khayac is an Algerian supplier providing construction and related earthworks services mainly for the onshore industry.

In what projects was your company involved with Saipem?

Our first experience in the oil & gas industry was precisely with Saipem, in the oz2 project (pumping station), in 2002. We were in charge of the trench for pipe installation and all site related earthworks. This helped us to be awarded another contract with Saipem in 2005 on the Berroughia project (power plant), where we performed again all the earthworks of the entire project. Delivering satisfactory performances in these last contracts, Saipem renewed their trust in Khayac on the LNG project, where we managed to perform some critical marine works in addition to the usual earthworks (roads, excavations, etc.).

For your company, what was the transition like from carrying minor civil works to sensitive construction works? And how did Khayac adjust itself to this kind of works?

The mutual trust built over the years between Saipem and Khayac thanks to the last projects, led the Italian firm to give us more than the earthworks originally planned in the LNG project, namely the realisation of the marine works.

We took the challenge despite the difficulty of the field and sea depths reaching sometimes 40 m, as we gained confidence over time and acquired experience and capability to adjust ourselves to the client's needs.

In this sense, we acquired new equipment (crusher, excavators), we proceeded to the recruitment of experienced people and the training of our employees on the job. All these were key factors to ensure our client benefits from the knowledge, experience and professionalism they expected from us.

We consequently improve our organisational and operating processes to face the challenge.

Has your company's perspective and approach changed since you started working with Saipem?

Working with Saipem helped us to understand much better the activities and the needs of the oil & gas companies; we have acquired technical experience and know-how, and we now dare to work on challenging projects. This constant growth enabled us to win other projects of great dimension like Medgaz (gas pipeline) and have Shlumberger among our customers.

Talking about QHSE, did the collaboration with Saipem help you to meet your customers' expectations? What about your HSE culture (before/after) working with Saipem?

Over time we have learnt to meet our costumers' requests readily and we are committed to increasing their level of satisfaction and constantly listening to their needs. This constant attention has enabled us to obtain, in 2008, the ISO 9001 certification.

In the meanwhile, our HSE performances have greatly improved since we started working with Saipem, and this close collaboration led us to develop and implement our HSE policy and made our workers be more aware of safety issues. As an example, I can quote: our employees don't wear their PPEs in Saipem projects only, as it has become systematic across all sites (regardless of client's requirements). I can even say that our personnel is embedded, day by day, in HSE culture.

Did the collaboration with Saipem increase your know-how?

In order to face challenges, we've been committed to improving ourselves from either a technological and skills point of view, thanks to Saipem's requests and collaboration.

For example, the close collaboration with Saipem's methods department in LNG and our lifting team on the Lifting operations (loads, jsa) was extremely positive and contributed to my staff development. Working with Saipem strongly contributed to enhance the HSE values in our teams, and easily comply with our clients' requirements.

experts panel comments

The Sustainability Report 2010 fully addresses the fundamental issues on Sustainability Report; the businesses in Algeria and Kazakhstan are good examples. For such countries it is worthy of note the frame agreement with USTO (Université des Sciences et de la Technologie Mohamed Boudiaf d'Oran) in Algeria and the set-up of a system for management of Health, Safety and Environment in Kazakhstan.

Concerning USTO, the ongoing activities are:

- a two months project Control Course (PCON) with Saipem faculty;

- an HSE Master Course starting in 2011.

Moreover an internship program is in the final planning phase. Its goal is to improve the curriculum and employability of some students. These activities connect USTO teaching activities with Saipem, represent a linkage between University and Industry and can promote local research activities that are good opportunities for the further development of the country.

Augusto Di Giulio

Frame agreement between Saipem Contracting Algérie and USTO (Université des Sciences et Technologies d'Oran)

In February 2010 an agreement between Saipem Contracting Algérie SpA and the Algerian Université des Sciences et Technologies d'Oran was signed in order to start a project of mutual cooperation.

On the basis of this agreement, the first activity held at USTO was **Saipem Day**, which took place in the main auditorium of the university at the presence of the Rector of USTO and the Managing Director of SCA, at the beginning of the academic year. Around 180 students of USTO attended this event.

The aim of such event was to introduce Saipem to USTO students and teachers through the speech of key players in SCA, namely the Managing Director, the Operation Manager, the HR Coordinator of North Africa, the HSE Manager of SCA and representatives of the 2 projects of West Algeria (Ammonia Jetty and GNL projects) and the Project Control (PCON) Manager of Ammonia Project.

Saipem's worldwide activities were presented, together with a description of Saipem's projects in Algeria, the

philosophy of the company, the HSE policy and the local content policy.

Particular attention was given to HSE and PCON activities as these are the areas of interest in the ongoing cooperation between SCA and USTO.

In the context of the Frame Agreement with the University, a **Project Control (PCON) course** was organised starting in October 2010. The course was addressed to students of the Master Level 2, which is the second level of study to become engineer in the LMD path (License, Master, Doctorat).

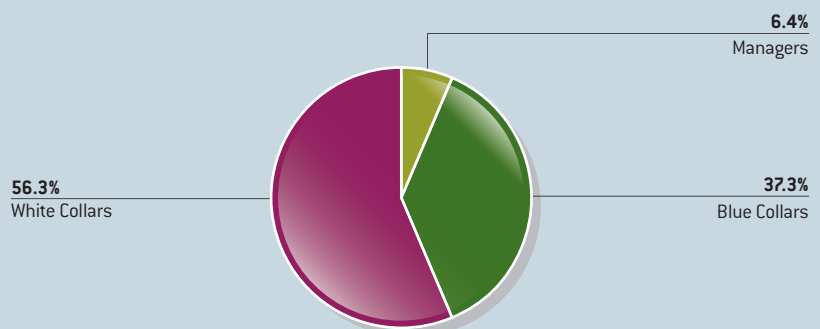
This 2-month course aims at giving an overview of the PCON activity in the Oil and Gas industry, including an introduction to economics topics and project management, and a deep look into project

control and planning tools. Teachers are both Saipem's internal PCON specialists and external specialists.

Besides this, an **HSE Master course** has been designed by Saipem in collaboration with USTO and other Algerian organisations. The course has been presented to the Algerian Ministry of Education for approval, with the purpose of to start it in 2011.

And finally, a proposal for an **internship program** has been submitted to the University. This will allow some students to participate in several Saipem projects in the West of Algeria for some time, thus understanding the activities and getting direct experience, improving their curriculum and their employability.

Total employees in Algeria by category (%)



Angola

Renaissance and beyond



By **António Bravo Neto**,
Deputy General Manager
of Petromar and Offshore
Commercial and Proposal Manager

Angola has recently celebrated effusively its 35 years of independence. At the beginning of the independence in 1975, the country was producing an average of 100,000 barrels of oil per day. Due to the massive exodus of the Portuguese workers that left the country, the government of Angola recognised the urgent need to train young Angolan people to sustain and develop the oil and gas sector. It was in this context that in 1976 I was selected for a long-term academic formation in Algeria and graduated in mechanicals.

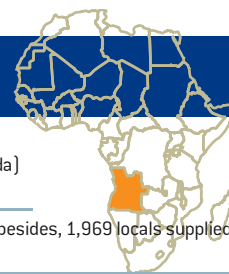
I actually started working in the oil industry in 1981 when I joined Sonangol/Fina. About three decades after, production in Angola had grown to nearly 2 millions barrels of oil per day. This has been a great achievement and today I feel very proud to have participated actively in this challenge. The sole experience gained over these almost 30 years entitles me to testify about relevant facts of the history of our industry, particularly pertaining to the contribution of Saipem in the development of the country.

The oil & gas sector has been the main drive of the socio-economic development in Angola. In regard to the economic growth of this sector, in 1984 Saipem decided to create Petromar in partnership with Sonangol, in order to develop local competences to support offshore and onshore oil and gas operations, in terms of facilities construction, installation and maintenance. With a wide range of

operations and numerous worksites, Petromar has been operating since its creation, attaining today a leading position as a national oil and gas contractor. To achieve this leading status, Petromar has made important investments in Soyo and Ambriz fabrication yards, as well as in training and development of expertise among its local workforce. When I joined Petromar in 2000, the company turnover was 34 million USD. In 2010 Petromar achieved a turnover of 362 million USD. This significant growth was sustained by focusing on the training of local resources. Just for reference, in 1984 approximately 20% of Petromar's

employees were Angolans. A steady nationalization program has produced very positive results with several skilled Angolan workers and technicians now operating in our sites. Today, about 79% of the total workforce is Angolan. Considering that the formation of Angolan resources constitutes one of the tasks regarded among the Government's priorities and goals that have also been a priority for Petromar, and given the need for the Republic of Angola to be endowed capable national resources, the Nationalization Development Program has recently been revised in order to be focused on improving competences and

ANGOLA



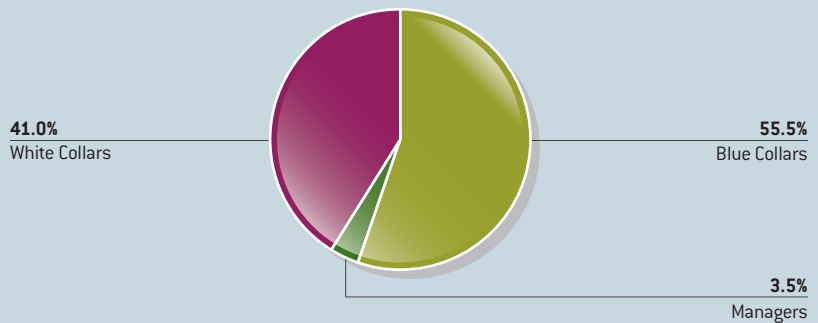
Saipem Presence since:	1982 (Kwanda Suporto Logistico Lda) and 1984 (Petromar Lda)
Personnel in the Country:	3,210, of which about 47.1% locals; besides, 1,969 locals supplied by temporary employment agencies
Most relevant projects:	<p>For Total Exploration & Production Angola, work was completed on the Block 17 EPIC contract (exporting gas from Block 17 for injection into two depleted oil reservoirs located offshore Angola) for a new gas injection platform, and on the SCP (Single Central Platform) contract which encompassed the construction and commissioning of a platform in Block 2.</p> <p>Work is underway for Esso Exploration Angola (Block 15) Ltd on the Kizomba Satellites Epc3 Tiebacks project (engineering, construction, transport and installation of tiebacks, umbilicals, risers and subsea systems connecting the Mavacola and Clochas fields to the existing Kizomba A and B FPSOs).</p> <p>Offshore works continued on the EPIC-type FARM project for Cabinda Gulf Oil Company Ltd (construction of 10 flare stacks and modifications to the gas combustion and discharge systems on 14 platforms in Block 0, located off the coast of Cabinda province).</p> <p>The FPSO Gimboa carried out operations on behalf of Sonangol P&P, under a six-year contract for the provision and operation of an FPSO unit for the development of the Gimboa field (Block 4/05 offshore Angola).</p> <p>The new ultra-deep water drillship Saipem 12000 commenced operations on behalf of Total Exploration & Production on a long-term contract for the development of Block 17. The semi-submersible platform Scarabeo 7 continued to operate in Angola for Eni Angola, while the jack-up Perro Negro 6 continued operations for Sonangol.</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 4 locations: Luanda (Headquarters), Ambriz, Soyo, Malongo; - 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.

transfer of knowledge so that our Angolan employees can cover managerial roles in the company. This goal will be achieved by 2015, when about 50 positions currently covered by expatriates are expected to be filled by Angolans, following a specific development process designed for each identified resource. This way, Saipem has been contributing actively to the development of the people and, consequently, the progress of the country. The Saipem Group presence in Angola dates back to 1982 when Kwanda started logistics base activities in Soyo. The creation of Petromar Lda strengthened the Group's position in the Country and now the Group operates in Angola in the oilfield service business through joint venture companies and local branches. In-country capabilities of the Saipem Group in Angola focuses mainly on Offshore fabrication/ construction services, MMO and logistics services, which are complemented by Saipem sa and Saipem SpA Angolan branches providing EPI services and offshore drilling capabilities.

People management

Saipem's total workforce in Angola varies considerably depending on the number and size of the projects undertaken. While the total number of employees may vary, a strong local content component remains a constant, with local employees representing at least 78% of the total workforce for the two main subsidiaries Petromar and Kwanda. It is important to highlight that the national workforce is represented at all levels within the organisation, as shown below. Know-how transfer activities are led by two drivers: one being the training

Total employees in Angola by category (*) (%)



(*) People from Employment Agencies excluded

activities required within the contracts of signed projects, and the other, the training activities identified by Saipem Group within the framework of local content development.

Angolanisation Program

Saipem's strategy in Angola has always been based on a strong commitment to creating value to local economy and society, through the promotion of Local Content. This strategy is exemplified by the Angolanisation Program set up by Petromar, a process established to transfer expatriate job positions to Angolans. In order to make this transfer successful and sustainable, this must comprise a gradual transfer of know-how from expatriate personnel to identified Angolan personnel. The program development needs the involvement of all the key persons in the nationalization process, from top management down to heads of departments and supervisors. A Steering Committee has been designated involving 3 levels: the main Shareholder, the Company Management and the Local Content Development Manager, with the scope of defining and monitoring the Program and its execution.

The Program consists of an enhanced training plan, including conventional training action's and formal, internal on-the-job training and coaching, as key points to improve the competence and the transfer of know-how between Angolans and expatriates, the latter acting as mentors to the former. A specific Competence Assessment System (CAS) allows both parties (Angolan and expatriate) to monitor the progress. Launched in 2009, Petromar's Nationalization Development Program foresees the Angolanisation of 50 positions presently occupied by expatriates within 5 years, with the complete transfer of 33 of the 50 positions planned to be completed by 2013.

Local community initiatives and strategic local partnerships

A key tenant of a sustainable business strategy is the promotion of long-term socio-economic development in the regions where Saipem has a longstanding presence. In parallel with a strong local content focus, Saipem also contributes to the improvement of the standard of living of local populations through various local community initiatives focusing on health care, education, social development, environment, and culture. Since March 2008, in order to promote skill acquisition and professional training a welding and pipefitting school has been in operation. A total of 100 residents are currently undergoing welding training

Total Saipem Group workforce		
Category	2009	2010
Local	1,311	1,511
International	1,200	1,699
Locals from Employment Agency	1,381	1,969
Total	3,892	5,179

experts panel comments

Likely due to the long experience Saipem has in Angola and knowledge of evolving stakeholders expectations and regulations framework, the Local Content policy is well delineated and focuses on Saipem core business. It is good to see that this policy is not mixing with a broader Sustainability approach, especially on Local Community/Social investment side: Saipem's program is directly linked with project technical aspects and focus on the workforce and supplies development in Angola. Saipem as well identifies technology transfer and capacity building required by the 'Nationalisation Development Program'. This program provides a good combination of international and national partners, all working along the same goals. This enables a good program focused on developing skills and employability

of the Angolan workforce.

I feel that the 'Angolanisation Program' section is a bit redundant (i.e. 'Nationalisation Development Program' - 50 expatriates) with above sections. A larger accountability picture could be more descriptive (i.e. 78% or 79% or 52% of Angolanisation).

The 'Food Plus Biodiesel Project', is promising, generating revenue for rural areas over time, which should last beyond Saipem's presence in the region. Arable land is however not indefinitely expandable. Palm tree production required to produce biodiesel may compete with agriculture required to feed people. This consideration should be included into the project and reported against as a key issue.

Cyrille Putz

that includes methods such as rod, semiautomatic and TIG welding. Other initiatives include for example health awareness campaigns at Ambriz local hospital covering basic health care precautions, food handling, Malaria, HIV preventions, World Health Day. Social infrastructures and access to safe drinking water are fundamental for both Saipem and the municipality. Situated at about 13 km from the yard, the Rio Loge pump station supplies the town and the yard fresh water through a pipeline. Petromar has

performed maintenance and refurbishment of the installation including the pump station, pipeline and water treatment system to ensure a continuous fresh water supply for both the town and the yard. Petromar provided the trenching, cable supply, installation and electrical connection of the main cable feeder required to supply electrical power from the base camp power station to the Ambriz School. An example of strategic local partnership between Saipem and its stakeholders can be found in the Alegria do Ambriz project

being developed near the town of Ambriz and the Petromar Fabrication yard in Bengo province of Angola. A large proportion of approximately 10,000 habitants in Ambriz live in extreme poverty, with the majority traditionally relying on fishing and subsistence agriculture. The land surrounding the Ambriz municipality has a long agricultural tradition and was once one of the main West African harbours for coffee exportation. Low agricultural production in part related to the lack of access to arable land, loss of

ANGOLA



Food Plus Biodiesel Project updates for 2010

'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. The Feasibility Study, developed in 2009, analysed the opportunity to develop palm oil production in various rural districts distributed evenly over the country. 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 promote 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.

In 2010 the Project was approved: a dedicated joint working team between Eni, Saipem, Sonangol and the Government (Ministry of Agriculture and INCA) has been executing the design activities to implement a 'pilot phase' of representative size to validate the whole development model proposed in the feasibility study. As of 2011, the execution phase shall become operative with the plant nursery construction, providing a lot of technical services including personnel training and developing of existing palm oil plantation. As of 2012, industrial process facilities (edible oil mills and relevant refinery) are expected to be erected.

knowledge of agricultural techniques, and insufficient capital to invest in necessary supplies and equipment. The objective of the Alegria do Ambriz sustainability initiative, which was initiated by the Saipem sa Kizomba Satellite project, is to develop a community-based agricultural project in collaboration with various local stakeholders, in order to increase the agricultural production of the area surrounding the recently rehabilitated Petromar Ambriz Fabrication yard and strengthen stakeholder relationships. In response to the communities' needs, the project will focus on increasing agricultural productivity by building farmers' capacity, reintroducing agricultural technologies, supporting and strengthening extension services. To this purpose, in November 2010, Petromar signed a multi-year Memorandum of Understanding with the Ambriz Municipal Administration to undertake the project in close collaboration.

Showing Sustainable Value of Saipem's Local Content strategy in Angola

To provide support and evidence of the value generated through its commitment to sustainability in the country in terms of wealth, skills and entrepreneurial capacity created, Saipem has quantified the economic and social impacts of its Local Content Strategy. In fact, measuring the tangible benefits of a Local Content Strategy is the key to demonstrate a sustainable business approach and improve stakeholder relationships at local level. To assess its Local Content Strategy, Saipem has implemented a methodology to measure total impact of three key categories of impacts produced as a result of its activities in an area. The methodology was applied to quantify the impacts of the Local Content Strategy implemented by Saipem Group activities in Angola.

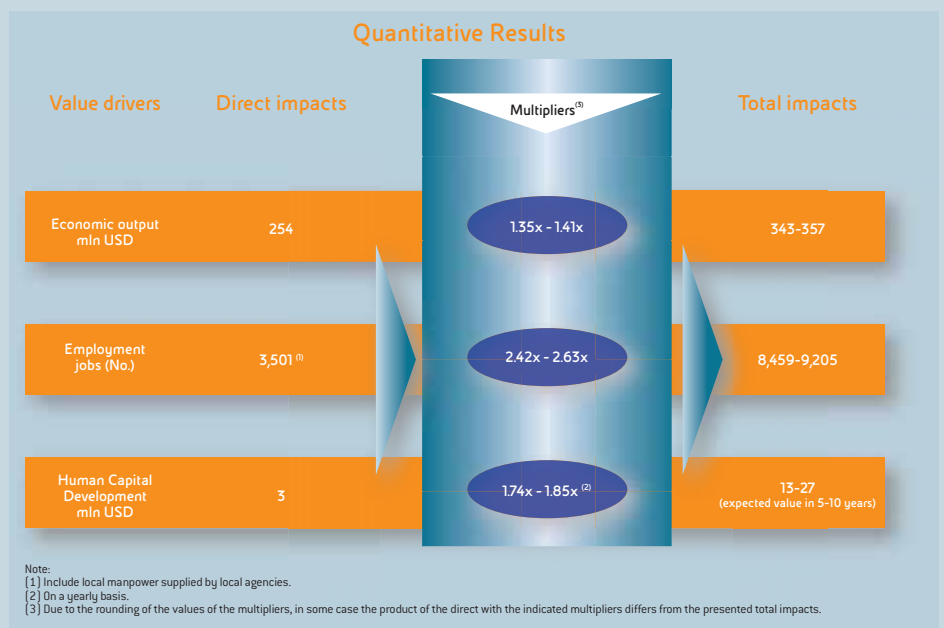
The study aimed to provide a comprehensive assessment of the Saipem Group's benefits on the economic and social development in Angola. It included operations conducted by Petromar Lda, Kwanda Lda, Saipem sa Angolan Branch and Saipem SpA Angolan Branch (below referred as Saipem Group). For the purpose to quantify the positive impact of Saipem Local Content Strategy, three key categories of impacts have been identified and measured: economic output, employment and human capital development. Moreover, the quantification of each impact has also been geographically split, and each related part attributed to the following administrative boundaries: Province of Zaire (where Soyo is located) and the Republic of Angola. The reference year of the study was 2009. The study clearly demonstrates, in terms of absolute figures and multipliers, the important contribution of Saipem Group within the Angolan socio-economic system and the fundamental role played by Saipem in contributing to the development of Soyo in particular. Likewise, the study is of considerable interest also for Saipem's Clients, as it demonstrates the long-term advantage for all stakeholders, including Saipem, its Clients, Sonangol, as well as the

government and people of Angola, associated with the development of a strategic and sustainable local content approach.

Methodology and Results

Three socio-economic categories of impact related to Saipem's Local Content strategy were identified and quantified. To define the multipliers (the number that gives the magnitude of an impact or a process), quantitative and qualitative stakeholder surveys were conducted. The results of the quantitative survey and the data from Saipem Group accounting system (e.g. finance, procurement, QHSE, human resources, training, etc.) were used to calculate the multiplier for each of the identified impact.

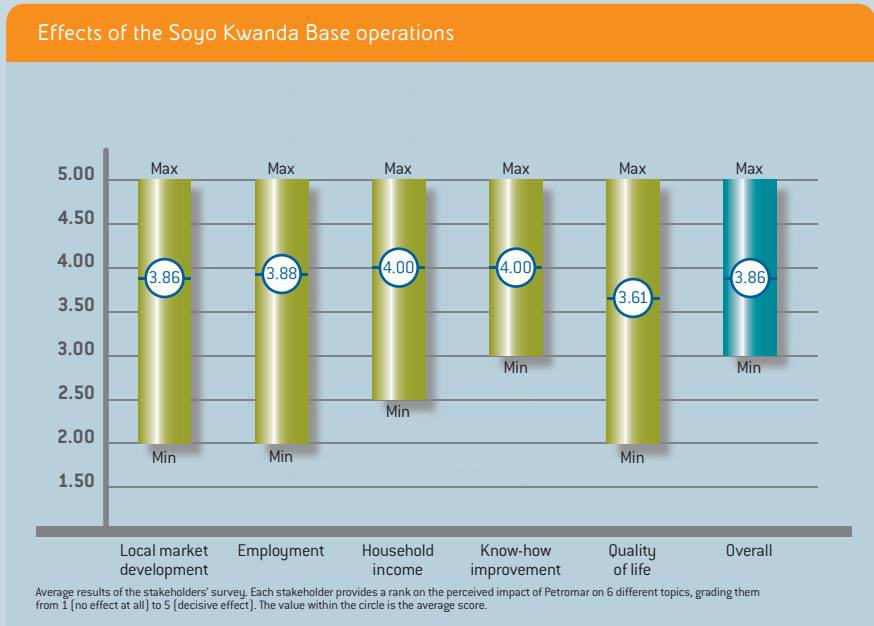
Economic output: it is measured as the sum of direct, indirect and induced impacts. The results show that Saipem Group contribution to Angola's economy is about 1.35-1.41 times the direct expenditure in terms of local purchasing, salaries and taxes, for a total impact within the Republic of Angola economy equivalent to 343-357 million USD. The largest recipients of this contribution are local businesses (55%) and households (24%). The Province of Zaire, where the Soyo logistic base is located, benefits from



approximately 41% of the total economic output generated by Saipem Group. The strength of the multiplier effects in the supply chain is affected by the current weakness of Angolan industrial structure.

Employment: Saipem Group makes an important contribution to the increase of local employment by creating direct, indirect and induced jobs. The results show that Saipem Group's contribution to Angola in terms of total employment is approximately 2.42-2.63 times the local direct employment, with a comprehensive impact on occupation involving around 8,459-9,205 people, of whom approximately 43% currently reside in the Province of Zaire. Jobs created along the supply chain mostly benefit sectors such as general services (mainly security services) and sub-contracting.

Human capital development: Saipem Group contributes to the increase of knowledge and skills of its employees in terms of additional lifetime earnings expectancy and increased employability. The results show that Saipem Group contributions to Angola's human capital development represent about 1.74-1.85 times the Group's direct expenditure in training. Hence, as a result of Saipem Group's activities in Angola, the expected economic value generated over a ten-year period in terms of local employees, salary gain is on the order of 13-27 million USD. Access to vocational and professional training provided by Petromar



Lda contributes to the development of the Angolan economy and society: on a yearly basis, for every 1 USD of vocational training expenditure, Petromar Lda generates a net present value of 2.12 USD of economic output.

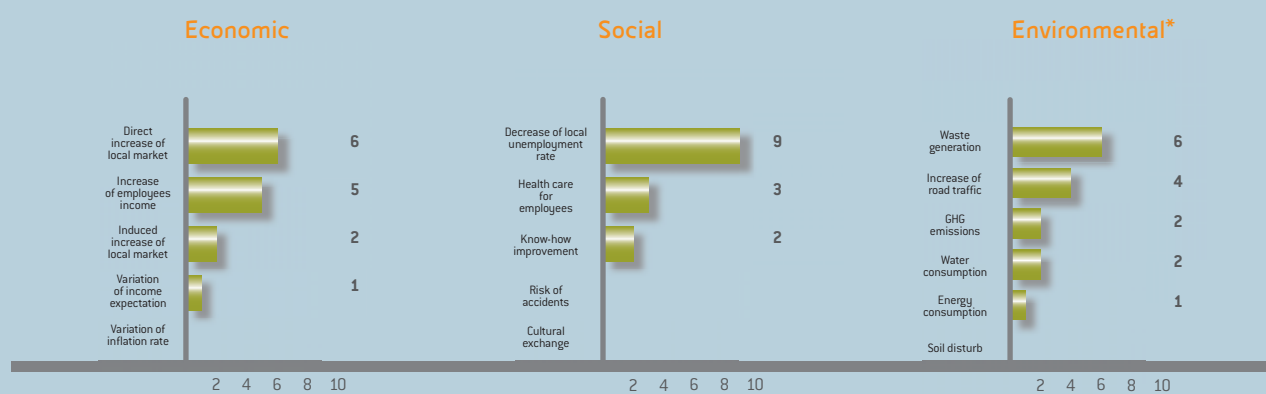
Qualitative Results

A stakeholder survey was conducted to collect qualitative information. Totally, 14 key suppliers were interviewed face to face. The survey was conducted in two parts. In the first part, stakeholders were asked to rank from 1 (no effect) to 5 (decisive effect) the positive effects of the Kwanda Base on some selected topics, including Saipem's overall impact on economy/ society and on the development of Soyo's local market, the effects in terms of

creation of new jobs, any changes incurred in the income level of households and in local workforce skills and, more generally, in the quality of life of resident people. The above chart summarises the results of the first part of the survey. In the second part, stakeholders were asked to identify the major economic, social and environmental impacts of the Kwanda Base from a long list of impacts. The figure below summarises the results of this second part. Based on the qualitative survey, increase of local market and local employment is perceived as a major consequences of Kwanda Base activities in the area, whereas from an environmental perspective, waste production is considered the most important impact.

Major impacts of Soyo Kwanda Base activities in the area

(No. quotations)



Azerbaijan



By **Luca Cattedri**, Branch Manager of Saipem Asia Azerbaijan Branch General Manager of SOCAR/Saipem Alliance

History tells us that Azerbaijan is a secular republic with an ancient cultural heritage. It has long been known for its rich oil resources and has been the first place in the world where oil was extracted from wells.

In the 14th Century, workers used to fill oil wells with water so that it would rise to the surface. Then oil was collected in leather bags made of Caspian seals' skin. It has been found that up to 200 camel bales of oil were exported from Baku every day in that period. Since a single 'camel bale' is the equivalent of approximately 300 kg of oil, this would have meant a regular supply of 60,000 kg of oil per day. In modern times, since the independence of Azerbaijan in 1991, the government started to attract foreign investments into the country. The first contract to be signed was the Azeri-Chirag-Guneshli (ACG) by the Consortium AIOC (Azerbaijan International Operating Company). Because of its potential reserves estimated at 6 billion barrels of oil, this project is often referred to as the 'Contract of the Century'.

To address the problem of oil delivery to European markets, in 1998 the Baku-Tbilisi-Ceyhan pipeline was constructed among Azerbaijan, Georgia and Turkey. The pipeline was officially opened in 2006 and now transports crude oil for 1,760 km from the ACG oil field in the Caspian Sea to the Mediterranean Sea. It is the second longest oil pipeline in the world (the longest being the Druzhba pipeline from Russia to Central Europe).

In 1999 the Shah Deniz field was discovered. It is a large gas field that made Azerbaijan a major gas producer. The Shah

AZERBAIJAN



Saipem Present since:	2001
Personnel in the Country:	507, of which about 89.3% locals
Projects Ongoing:	In Azerbaijan, work continued for BP Exploration (Caspian Sea) Ltd subsea inspection, maintenance and repair works of BP offshore infrastructure in the Azeri offshore, including platforms installed by Saipem in previous years. Meanwhile, for AIOC, as part of the Chirag Oil Project , work was completed on two separate contracts which comprised the construction and installation of a template, while engineering work began on two new work scopes encompassing the construction of the jacket and transportation and installation of the jacket and topsides.
Main sites of long-term presence:	Saipem is represented in Azerbaijan by Saipem Asia Azerbaijan Branch and BOS Shelf LLC , that operates at Baku Deep Water Jacket Factory and have representative offices in Baku.

Deniz gas plant at Sangachal Terminal started in 2007, and supplies Europe with 8 billion cubic metre per year of natural gas via the South Caucasus Pipeline. Azerbaijan is now one of the fast paced developing countries in the entire Caspian region, and it is considered to be a very reliable host country for the stable export of oil and gas produced in Central Asia to world markets.

Many progresses have also been made in technology, safety culture and environmental protection. Saipem has been a primary contributor to the recent history of the oil and gas industry in this country.

The way we do things in Azerbaijan can be mainly summarised in a number of distinctive aspects of our work approach:

- continuous attention to achieve safe and effective operations;
- methodical encouragement of know-how transfer;
- careful development of the Azerbaijani workforce towards positions with increasing responsibilities;
- constant creation of opportunities for local suppliers.

Saipem Asia Azerbaijan Branch, conscious of its substantial contribution to the local community, is consistently committed to recruiting from within the local environment. Employment

and development of local personnel is fundamental to Saipem's objectives of long-term sustainability and business growth. Another important contribution was a clear target set to gradually substitute the international contractors with local companies in different sectors of activity. The increase of Saipem's purchases with Azerbaijani companies, also encouraged by the Client, generates new jobs, skills and investments in local enterprise development in the country. In addition, a long-term relationship with local population, communities and authorities in Azerbaijan has been fundamental for Saipem's success in the country. Saipem is committed to a close and fruitful cooperation with local communities and authorities in achieving the objective of creating a long-term value in the region. To reach this objective, Saipem Asia Azerbaijan Branch – in cooperation with clients and



in close relationship with subcontractors – is involved in the realisation of social projects aimed at improving the quality of life of the local population.

As a result of this attitude, Saipem has kept generating an increased wealth for the entire Azerbaijani community directly and indirectly involved in Saipem's activities, and it is firmly committed to continuing its path to sustainable development, also in view of the future challenges associated to the massive Stage 2 development of the Shah Deniz Project.

The SOCAR/Saipem Alliance

SOCAR¹, as a company representing the government of Azerbaijan in the ACG Product Sharing Agreement (PSA), has been one of the most important stakeholders for Saipem in Azerbaijan since the beginning of its operations. Saipem Azerbaijan, as a leading offshore contractor of ACG PSA, has been using SOCAR's vessels, equipment, marine personnel, port and dry dock facilities and many other assets and premises to implement the projects.

In order to optimise the use of SOCAR's and Saipem's resources, assets, capabilities and expertise, in November 2007 the companies joined forces to form an Alliance where Saipem Asia Azerbaijan Branch acts as the Alliance Operator. High local requirements have been agreed during negotiations for the Alliance. With regard to the Azerbaijani personnel, Saipem has been committed to developing training and resource development programs to assure that Azerbaijani people employed or contracted for the Alliance can perform according to the internationally recognised industry standards. In order to maximise local content, Saipem is committed to purchasing, where possible, goods and services from local suppliers, if they comply with international industry.

Training and Nationalisation Program

Saipem's employment strategy in Azerbaijan is preferably addressed to the employment and training of local personnel, who will gradually substitute expatriates.

Saipem has addressed, since the beginning, the project requirement for the development of highly qualified professionals with the implementation of a structured plan in terms of recruitment, training and development.

The SOCAR/Saipem Alliance established in November 2008 in the frame of the IMR Project, further supported and still supports Saipem's focus on the development of local resources. To develop local resources, to achieve nationalization targets and provide input to tailored training programs, Saipem has implemented a series of management tools. The Competency Assessment and development programs are the most important tools for first identifying skills gaps and then developing a training program to bridge these gaps.

Training program for Azerbaijani Marine Personnel

In the framework of the SOCAR/Saipem Alliance, Saipem Asia Azerbaijan Branch has undertaken a program to train Azerbaijani Marine personnel of SOCAR units, supported by Saipem, according to International Standards.

The program is intended to train local resources, promoting the transfer of know-how and the development of locals towards positions of increasing responsibilities, and ultimately to replace expatriates with local Marine personnel. In order to enable the Azerbaijani Marine personnel to take full advantage of the technical courses managed by Saipem, it was a prerequisite that approximately 60 people from two of the SOCAR divisions,

namely CSOF (Caspian Sea Oil Fleet) and CODERO (Caspian Office for Diving & Emergency Rescue Operations), first attended an English language course, organised by Saipem. Training courses were held partly in Azerbaijan and partly abroad, with some of the work carried out during the lessons and part of it gained through practical experience.

Moreover, the technical training was addressed to three categories of specialised personnel, namely diving personnel of CODERO, ROV (Remotely Operated Vehicle) personnel of CODERO and Marine personnel of CSOF. Technical courses were organised for all of them, both in-house and outside Azerbaijan. Further to that, Saipem's future plans include supporting the development and use of the recently launched SOCAR training facilities, thereby strengthening the development of training programs in Azerbaijan by local companies.

The extended duration of the IMR work and future T&I activities will facilitate the complete development of skills and competence of Azerbaijani nationals employed.

Saipem Asia Azerbaijan Branch educational initiative

In 2003 several oil companies operating in Azerbaijan – BP, Chevron, Exxon, Statoil, Inpex, Devon – joined the local representatives of Junior Achievement Worldwide, the Junior Achievement Azerbaijan (JAA), in a program called 'Sustainability for the Future'. This program is fully supported by the Ministry of Education and the Ministry of Youth and Sport of the Azerbaijan Republic. Part of JAA's curriculum is the School for Economics Education Program (SEE), focusing on the theoretical and practical aspects of modern economics and business skills. This program was offered to secondary schools and college students, to foster work-readiness, financial literacy

[1] The State Oil Company of Azerbaijan Republic (SOCAR) is the government-owned entity responsible for all the aspects of exploration and development related to oil and gas fields both onshore and offshore for the Republic of Azerbaijan.

and entrepreneurial skills. Up to 2010, the program has been introduced into 260 schools and 4 universities throughout 26 regions in Azerbaijan.

In 2010, Saipem Azerbaijan joined JAA. As an Associate Partner of this program, Saipem looks forward to actively supporting it by offering talented students, particularly

those from the Oil and Gas Universities, the opportunity to undertake an internship with Saipem Asia Azerbaijan during their summer recess. This would impart valuable work experience in an operational environment and enhance opportunities for future recruitment within Saipem or other organisations in the oil & gas sector.

In addition, a direct involvement with students is planned by holding a 'Career Day' at Saipem premises.

On this occasion industry opportunities can be outlined and discussed in a full range of engineering and service disciplines required by Saipem for its business performances.

AZERBAIJAN

Growing with Azerbaijan



By **Ikhtiyar Akhundov**,
BOS Shelf LLC
General Director

As General Director of the company, I am pleased to introduce BOS Shelf in this year's Sustainability Report.

BOS Shelf LLC was created in 2001 between SOCAR (State Oil Company of the Azerbaijan Republic), and Star Gulf LLC (Saipem Group company). Our company operates at the Baku Deep Water Jacket Factory (BDWJF) which is located 35 km south of Baku, providing construction services to the offshore oil and gas industry in the Azerbaijan sector and other areas of the Caspian Sea.

Since 1994, SOCAR has signed 28 Production Sharing Agreements (PSAs). The first was signed for the development of Azeri-Chirag-Guneshli (ACG) field in September 1994; it is referred to as 'Contract of the Century', covering an offshore contract area of 432 square kilometres. The ACG field occupies the third place among the world's 20 largest oil fields. The daily oil production from the ACG field exceeds 900,000 barrels. Within the next 30 years, Azerbaijani oil production is expected to surpass the total number of barrels produced during the previous 130 years.

In November 2001, BOS Shelf was awarded a contract by AIOC to construct two jackets, piles and a sub-sea template for Phase I of Azeri-Chirag-Gunashli (ACG) field development. The works were carried out at BDWJF Yard. In order to undertake the project according to international standards, an extensive upgrading and refurbishment was required to workshops, construction areas, quaysides, offices and general infrastructures. The successful execution of ACG Phase I in terms of safety, quality, cost and schedule paved the way for BOS Shelf being awarded ACG Phases II and III work, comprising four jackets and associated piles. The scopes of these Phases were completed ahead of schedule, maintaining the success of Phase I.

BOS Shelf has a capacity of 60,000 tonnes of offshore construction per annum. The yard has a construction area of 220,000 m², incorporating a skidway with a dedicated push/pull system for loading out structures of 20,000 tonnes from quayside to transportation barge. Workshop upgrades have provided five plate rolling lines with a capacity for plate thicknesses from 10 mm to 150 mm. These rolling lines are followed in the production train by the latest welding and NDT technology, completing the plate to tubular process. This gives self-sufficiency in the construction of large diameter tubulars on site and simplifies logistics, thereby reducing costs.

Recently, BOS Shelf has been awarded contracts for the construction of 18,200 tonnes jackets, piles and subsea templates for AIOC Chirag Oil

Project. These activities are being undertaken at BDWJF Yard.

Since its inception, BOS Shelf has consistently improved its productivity, while taking care of its people and safeguarding the environment.

BOS Shelf management deems that people are its most important asset, hence, Health and Safety issues have always been of prime importance. Our company is fully committed to HSE matters at each level of responsibility.

From starting refurbishment in 2001 to date, we have achieved a radical improvement in HSE performance as evidenced by the 10 million manhours being worked without a LTI during the ACG Project. As the result of BOS Shelf's HSE performance, the company obtained 6 awards from AIOC during the period of the ACG Project, performed between 2002 and 2005; including an award in recognition of leadership and support in the achievement of 5,000,000 manhours of jacket & piles without a DAFWC (Day Away From Work Case).

Being a local company, BOS Shelf gives much attention to local values, thus adjusting to local contexts, training and employing local workers, working with local businesses and helping local communities.

By combining an experienced multi-national management team with a well trained workforce of around 3,000 people and international support, particularly in Engineering and Procurement, BOS Shelf has the capacity and capability to successfully undertake EPIC Projects for the Oil and Gas Industry. This allows the company to play a major role in the biggest projects in Azerbaijan, as well as in other regions of the Caspian Sea. BOS Shelf is now working to promote its capabilities both at national and international level, by offering real project advantages to all potential Clients.

The capability to perform large scale projects is underpinned by the evidence of past achievements, which includes on-time and within budget delivery of Jackets and Topsides for international clients. This has been formally recognised by our recent inclusion of the Company in the North Caspian Operating Company's Vendor list for these categories of work, for the Kashagan Project.

BOS Shelf's strategy is going forward and will continue to focus on improvement and upgrading of employees' skills and education (particularly local employees) through an intensive training and educational program. Safety remains a primary goal for BOS Shelf, and 'zero injuries' is still the main target. In this context, the most important responsibility for the company is to ensure each employee returns home safe and healthy.

I joined BOS SHELF team in 2001, at the beginning of its operation in Azerbaijan, as Procurement Manager. Since then, we have successfully achieved our targets and I am proud of being part of BOS Shelf's success over our 10 years of operation in Azerbaijan.

I remain convinced that this way of thinking and acting means the Company can succeed in its objectives and continuously improve.



Brazil



BRAZIL



By **Mario Tibau**,
Human Resources, Organisation
and ICT Manager

The 20th century was a politically and economically turbulent period for Brazil. The century was marked by political coups, military dictatorship and several crises in the monetary system. This whole scenario was the cause of long periods of economic recession.

Plano Real (Real Plan) was created in the 90's with the purpose of controlling inflation and lower interest rates in order to stimulate economic growth. Since then, the country has been experiencing a period of solid economic stability. The new century has started and Brazil has been raised to the status of an emerging country. The country is seen, by foreign investors, as a great source of power, and the oil & gas industry has

Saipem Presence since:	2002
Personnel in the Country:	485 employees, of which 408 are locals
Most relevant projects:	<p>Work was completed on the Mexilhao contract for Companhia Mexilhao do Brasil (transport and installation of a jacket, mooring piles and topsides for the PMXL-1 platform, for the Mexilhao field development in the Santos basin, approximately 140 km off the coast of the state of San Paolo). Installation work was carried out on the Uruguà-Mexilhao Pipeline contract for Petrobras, in the Santos basin (transport, installation and testing of a pipeline that will link the FPSO Cidade de Santos to a gas platform in 172 metres of water in the Uruguà field).</p> <p>Preparatory activities commenced for Petrobras on the EPIC P55-SCR project (flowlines and risers serving the semi-submersible platform P-55 to be installed in the Roncador field).</p> <p>In the Leased FPSO segment, the FPSO Cidade de Vitória carried out operations as part of an eleven-year contract with Petrobras on the second phase of development of the Golfinho field, situated off the coast of Brazil at a water depth of 1,400 metres.</p> <p>For the drilling activities, three rigs drilled twelve wells for Petrobras.</p>
Main sites of long-term presence:	Saipem works in Brazil as Saipem do Brasil Serviços de Petróleo Ltda in Rio de Janeiro.

undoubtedly great importance in this scenario.

In Brazil the oil & gas industry has always been one of the most dynamic

segments of the economy, creating new technologies, overcoming logistical and technical challenges, developing professionals and stimulating a significant



Sheila Maranhao - Guanabara Bay

chain of qualified suppliers.

In this country, oil production is marked by offshore exploration. The country has overcome enormous challenges in the exploration of ultra-deep waters, especially now after the discovery in the pre-salt layer.

Saipem, operating in Brazil since 2002, has not only followed the country's growth, but has also become a part of it. The company, that was originally represented by a single commercial office, has already carried out major projects in the country, and is currently working on three large and distinct projects.

My professional path in Saipem started with the company's start-up in the country (July 2002). It has been a challenging job due to the company's fast growth. The graph below illustrates the increase of our workforce.

Saipem's first important long-term project in Brazil was FPSO Cidade de Vitória, whose production started in November 2007. This is a project that I am proud to talk about, not only because of all the challenges related to it, but also for the opportunity of being responsible for the development of Saipem's first trainee program.

In a FPSO vessel, most professionals are concentrated in the production area. At the time of hiring the first professionals, local market was heated up and very competitive. Hiring qualified professionals was not very simple.

In order to promote the development of qualified professionals for its vessel, Saipem do Brasil Serviços de Petróleo Ltda entered into a partnership with an important Institute of Technical Education, in order to train 16 young people as production operators. They were chosen through a careful selection process and were automatically hired by Saipem do Brasil.

For most of them, Saipem meant their entry into the job market. A technical training of approximately six months as well as an English course were provided,

in addition to an experiential training during the vessel conversion on site in Dubai. The training was a success. It was also an example for other companies in our segment.

I believe that the greatest challenge for the Cidade de Vitória project for the next year is to keep the minimum local content percentage. In Brazil, it is fixed by law at 67% and Saipem is currently on track to achieve it.

In addition to the Cidade de Vitória project, Saipem has three onshore drilling rigs located in Northeast Brazil. The project comprises almost 100% Brazilian employees.

Recently, Saipem has also been awarded the EPIC contract for the P55 Project, which comprises the installation of 25 km of flow lines and 50 km of risers (these will connect the subsea wellheads to the production platform P-55). The great challenge of this project will be the hiring and training of local workforce, considering the current high demand for professionals.

The market in Brazil is rapidly increasing; investment prospects in the oil & gas sector are extremely high and the demand for qualified new professionals is enormous. A market demand of 100,000 new professionals is expected for the next 3 years. Brazilian Government is searching alternatives to support the sector, including the development of training programs in order to fulfil future job vacancies.

Prospects in Brazil look very promising, challenges are tremendous, and I have no doubt that Saipem will keep growing on this motivating scenario.

Achievements of FPSO Cidade de Vitória

2010 has proven to be a great year for the FPSO Cidade de Vitória, operating in Brazil since the end of 2007. The very first FPSO totally operated by Saipem has reached maturity and expertise.

On March 8, the important attainment of 20 million barrels of oil production was achieved, as well as the record of 71,000 barrels/day, with a liquid production above the contractual value of 16,000 m³/day. Moreover, on March 3, 2010, one-year activities were completed without any Lost Time Incident.

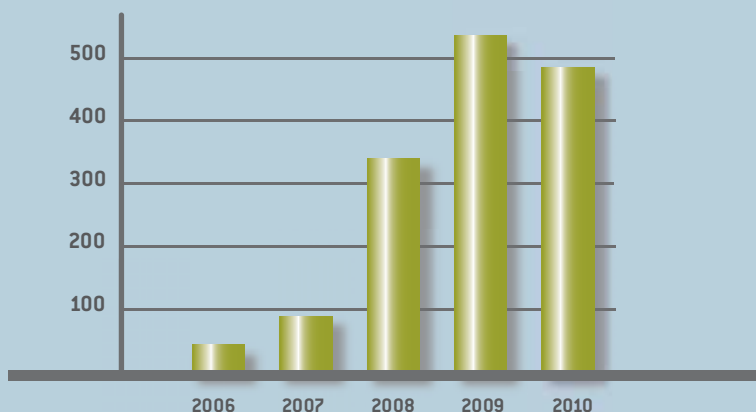
The FPSO Cidade de Vitória Unit reached the important objectives of certification of its Environmental Management System according to ISO 14001 and its Health and Safety Management System according to the OHSAS 18001 standard.

To celebrate such achievements Saipem do Brasil General Manager, Mr Giorgio Martelli, decided to address the award to needy people.

Lastly, the 'FPSO Cidade de Vitória for a Better World' program was launched onboard the FPSO: it was created to provide help to a young student coming from a poor Brazilian community and support his full technical education.

Workforce in Brazil

(No.)



China



By **Fabio Rosso**
Saipem (Beijing) Technical
Services
Chairman & General Manager

Saipem has been operating in China for over forty years. During the last period, we have evolved from a representative office to a foreign company operating in China that truly aspires to contribute positively to this great country's future.

China is a very important country in Saipem's strategy towards suppliers and has 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.

Since 2008, with a view to developing specific geographical areas of strategic interest for Saipem's procurement activities, a Sourcing Centre has been established in Beijing to support Saipem's business units and procurement departments, to identify in China new sources of supply in worldwide projects, thus acting as a local facilitator on the market. To this day 180 Chinese vendors have been qualified, and in 2010 the purchased volume in China exceeded € 54 million.

Saipem has pursued a rigorous qualification campaign for potential suppliers, achieving clear quantitative and qualitative results. Saipem has developed a co-operation program through which

vendors learn and apply international quality standards to their products and services, seeking to accomplish local market growth and meet Saipem's needs. One of the main standards is the absolute respect for safety, of our employees and of all the local companies working for Saipem. In order to reinforce safety culture, Saipem actively works with its subcontractors, to spread good practices and standards, for example, by managing technological risks, improving workplace safety and health, and enhancing product transportation safety.

In 2010, Saipem Beijing branch was awarded the corporate's direct funding to execute the 2010 Sustainability Talent Project called 'Chinese Suppliers Safety & Self-Protection Awareness Campaign'. This project was aimed to increase safety awareness & culture among Chinese suppliers qualified by Saipem. In Saipem Beijing we have been delighted to see, in our action plan, a lot of very practical steps that were presented by vendors and subcontractors, such as the compilation of HSE best practices guidelines, the use of PPE training and the support for companies, trying to increase their ability to report on sustainability aspects of their performance.

'Chinese Suppliers Safety & Self-Protection Awareness Campaign'

In line with Saipem Corporate's targets, Chinese Sourcing Centre supports Saipem's Business Units and Procurement departments to identify in China

Saipem Presence since: mid 1980s

Personnel in the Country: 102, of which about 50% locals

Most relevant projects: New pipelaying vessel **CastorOne**, under construction at Yantai CIMC Raffles (China).

Main sites of long-term presence: Saipem (Beijing) Technical Services Co Ltd offices.



new sources of supply for worldwide projects, acting as a local **facilitator** in local markets, thus developing closer relationships and sharing its knowledge to establish partnership with local vendors. Saipem has also developed an intense cooperation program to help vendors learn and apply international quality standards to their products and services, with the final purpose of contributing to local sustainable development. In 2010, Saipem Beijing branch launched a Project called '*Chinese Suppliers Safety & Self-Protection Awareness Campaign*', aimed at increasing safety awareness and culture among qualified Chinese suppliers, by carrying out two complementary initiatives, focusing on the importance of safe behaviour and of wearing PPE (Personal Protective Equipment). Such campaign was addressed to a selected group of 20 vendors and consisted in a round of training courses to give them essential tips and guidelines on the use of PPE among their workers. An important local stakeholder of this initiative was Sinopec International – procurement division of **Sinopec Corporation**. Sinopec is China's second largest oil company. Saipem has a strong relationship with Sinopec International, which is the division in charge of Sinopec procurement and the exclusive representative of 17 Chinese suppliers, already qualified by Saipem. Sinopec International's representatives attended the safety campaign so that they could spread Saipem's recommendations to those 17 suppliers they represent on the



Chinese Suppliers Safety & Self-Protection Awareness Campaign

international market.

The project was developed into two parallel working areas.

The first one was focused on the partnership with a local PPE manufacturer, whose management and key resources were trained according to Saipem's PPE requirements and international manufacturing standards. This part of training was carried out by Saipem's HSE specialist, both at Saipem Beijing offices and at the partner's premises. Then, a first pilot-lot production of high standard PPE was tested by Saipem's HSE specialist to check its compliance with applicable requirements. Once approved, PPE trial supply was delivered on a complimentary basis to those vendors attending Saipem's safety training. After some PPE trial supplies, Saipem and the local manufacturer signed a frame agreement to source PPE for other Saipem projects. The second area of intervention was the Safety and PPE vocational training to Chinese suppliers. Twenty Chinese vendors qualified by Saipem and

representatives from Sinopec International (representing 17 vendors), participated in this initiative. The selection of vendors was made according to qualification audit findings about HSE.

A training session was held in Saipem Beijing offices for HSE managers of selected vendors or their representatives. Each class was attended by a maximum of 5 participants, grouped together depending on business/sector relevance. Besides the training, a complimentary set of PPE was given to each participant. The vendors enthusiastically participated in the courses presented by several Saipem's QHSE managers, who talked about the importance of good practices for a correct HSE management system, the Leadership in Safety Program and OHSAS 18001:2007. A specific section focused on Workplace Safety Law for the people living in the Republic of China.

An overview of Saipem Procurement strategy and Sustainability approach has been presented to all participants during

a closing session of the training course in Beijing.

In order to monitor the results three months after the training sessions, a representative from Saipem went to the vendors' premises to check the effective implementation of safety procedures and the use of PPEs, to release a certificate in safety and PPE compliance. Moreover, vendors are constantly monitored and requested to provide HSE and accident statistics on a quarterly basis.

The main output of the program was a **significant improvement of safety awareness** among trained suppliers, measurable by finding less HSE corrective actions during Saipem's audit visits and having a positive improvement of HSE statistics from trained suppliers. In addition to this, Saipem has now a qualified and competitive PPE manufacturer, able to **produce high quality PPE**, in line with Saipem's requirements, that can also be used for Saipem's worldwide projects.

Congo



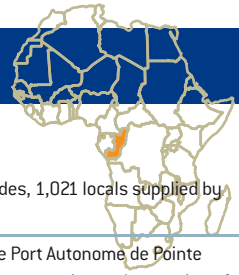
By **Michel Lassus**,
Boscongo General Manager Saipem
Engineering & Construction
Country Manager for Congo, Saipem
Gabon Branch Manager

The affiliates of Saipem operating in Congo are Boscongo, Saipem SpA Branch and Saipem Energy Services. Saipem has been operating in Congo with a long-term presence on site; our business is developed considering a sustainability approach to the host country.

Our companies are committed to operating effectively, by developing local content in terms of employment and suppliers, community activities and application of national regulations. The objective is to give social and economic benefits, and create a stable relationship with host communities. Nowadays, 'Local content' will be established in Congo as a legal requirement by the Congolese Government to companies. Therefore, Saipem will continue with its local content strategy and ensure the compliance with the future legislation.

Local content maximization is an important aspect that is always considered during recruitment and vendor process. People management is focused on skills improvement, thus reinforcing employees' capabilities in view of making them grow. Throughout all strategic partnerships based on apprenticeship for Congolese students, the companies ensure that their activities deliver sustainable benefits in terms of education and job opportunities. Moreover, the company considers employees' safety and health and environmental preservation as part of its responsibilities. The HSE Management System is continuously monitored and evaluated by a Steering Committee

CONGO



Saipem Presence since:	1975
Personnel in the Country:	790, of which 33.4% are locals; besides, 1,021 locals supplied by temporary employment agencies
Most relevant projects:	<p>Preparatory activities started for the Port Autonome de Pointe Noire on the EPC contract for the reconstruction and extension of the Pointe Noire Container Quay, encompassing the engineering, procurement and construction of a combi-wall quay and accessory facilities.</p> <p>In March, the semi-submersible platform Scarabeo 3 concluded operations for Total E&P Congo.</p> <p>The new tender assisted rig TAD 1 continued drilling operations for Eni Congo SA.</p> <p>Workover and maintenance works continued on the fixed platforms owned by Eni Congo SA.</p> <p>Two rigs operated onshore for Eni Congo.</p>
Main sites of long-term presence:	<p>Saipem SpA Branch has been operating in Congo since 1975, with coordination tasks on: onshore drilling and offshore drilling activities.</p> <p>Boscongo Yard, since 1980. Its main activities include:</p> <ul style="list-style-type: none"> - Construction of steel structures for oil companies; - Construction of harbour complexes; - Onshore and Offshore technical support, logistics and maintenance; - Modification of industrial plants and offshore platforms. <p>Saipem Energy Services (SES), since 2005.</p>

composed by the affiliates, the Corporation and the Government.

People management and development

Saipem's total workforce highly varies according to the number and size of active projects. Despite this, a high level of national workforce remains constant. Over the past two years, the number of national employees has increased from 1,188 to 1,414 people, who account for 87% of total workforce. It is important to highlight that the national workforce is represented

inside the organisation at multiple levels, managers, administrative staff and operative workers.

Given the above numbers, training activities are a fundamental aspect of the company's people management and its investments in the country. In 2010, trainings focused mainly on HSE issues and language courses in order to improve all employees' skills and reinforce safety and environmental behaviour.

As Saipem is a multicultural company, English is the standard language for the Group and is essential for using the



Brice Kaly - Congo, Job Done

new corporate tools that are currently being implemented in Congo, as well as for communicating with the rest of the Saipem Group. Some expatriates also received French classes in order to facilitate know-how and competency transfer to local employees.

In 2010, more than 27,000 hours were spent to trainee employees, of which about 24,000 on HSE topics.

From a more technical point of view, through the annual Quality Training Plan, Boscongo has carried out a Quality Control (QC) development program, that has significantly contributed to increase general Quality awareness and qualification levels of Congolese QC inspectors.

As a result, and without increasing the share of expatriate personnel (6% at the end of 2010), the QC personnel qualification rate has risen from 8% (late 2008) to 59% (at the end of 2010, where 70% of qualifications are owned by local personnel). As well, during 2010, Saipem's affiliates operating in Congo encouraged their Congolese administrative staff to participate in internal training sessions taking place in Paris (Saipem sa) and Milan (Saipem SpA), in order to develop their technical and professional skills within their area of work.

These trainings allowed local employees to strengthen the network between all Saipem companies and gave them the chance

to take a careful look at practices carried out in the other companies of the Group. Indeed, ten local employees improved their skills on different subjects such as methods and process, as well as the use of key management tools (SAP, GHRS). Besides this, Saipem's affiliated companies operating in Congo cooperate with the Congolese Superior Institutes for an internship program aimed at giving some young talents who have completed their studies, the opportunity to put their knowledge into practice. Trainees follow a specific schedule and receive a salary during their internship. In 2010, Boscongo received 31 trainees and 7 of them were hired upon completion of their traineeship.

Improving capacities: the 'Welding school'

Boscongo has developed a welding school in order to strengthen the technical skills of its local workers so that they can perform specialised works as well as operate effectively.

The welding school trains local employees in specialised welding methods, such as Gas Tungsten arc welding (GTAW) and Shielded metal arc welding (SMAW). A one-month, full-time training period is organised for groups of ten workers. The trainees work on three different welding machines and perform on-the-job training, thus learning how to read and understand procedures and documents

related to welding activities as well as managing the material.

At the end of this training period, an evaluation is undertaken under the supervision of an international Certifying Agency. To date, thirty employees have been trained and a new program has been set up as the training is being extended to the SAW Welding machine and Ceramic Backing Strip.

Strategic local partnership

Since 2005, Boscongo and Saipem Energy Services (SES) have been developing a partnership with a technical institute in Pointe Noire in order to develop a program of technical education based on apprenticeship. Congolese students spend 50% of their time in the Company's sites for operational practices and 50% at the institute for theory lessons (a 2-year program for maintenance technicians, a 3-year program for maintenance engineers).

Boscongo and SES are responsible for school fees and for paying the students during their training period, as well as for providing permanent tutoring program during the practice period and evaluating their performances yearly. Once they finish their program, the students are given priority in the recruitment process. In 2010, 16 students were trained and 6 students who had previously participated in the apprenticeship are currently

experts panel comments

Saipem shows strong commitments to strengthen its local content approach in the Congo. The number of local employees has increased exponentially to 87% of the total workforce in the last two years. This demonstrates the company's commitment to its own standards, since the Congolese government has not yet set explicit quotas on local recruitment. Saipem builds local capacities by delivering language courses and Quality Control trainings that uplifted the qualification level of its local and TCN personnel, giving the opportunity to some staff

members to follow further training abroad. Saipem in Congo also builds upon the company's best practices, as it has shown with the institution of a welding school, its partnership with a technical institute, and an internship programme for external trainees. I think that Saipem's operations look to constitute a win-win relationship for the local economy, since 90% of total purchases are contracted in-country with national suppliers and subcontractors.

Arthur Minsat



Chérubin Bessekouaou - Safety team

working for the company. A second important partnership was developed with a local NGO that promotes sustainable development through biodiversity conservation. The objective of the partnership is to cooperate towards the ecosystem protection located around the perimeter of the site. The company assists the NGO with logistic support, while the NGO provides technical assistance for awareness activities.

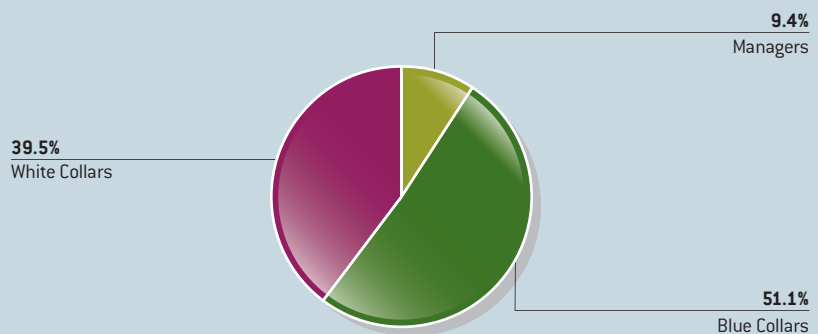
Suppliers and subcontractors

Saipem's companies in Congo are deeply committed, for what is in their possibility and considering the local market, to maximising their request of goods and services to local suppliers. From the total purchases in 2010, the total in-country purchased equalled €26,806,546, which account for 90% of the total amount. The local purchases basically consist of fuel, logistic material, goods, services, from approximately 100 different suppliers, of which 92% are mainly specialised in logistic technique, quality testing, security, waste services, and else.

Community activities

Boscongo develops community initiatives in two ways: through direct actions and

Total employees in Congo by category (*) (%)



(*) People from Employment Agencies excluded

through cooperation with strategic local stakeholders, such as Government, NGOs, and else. As part of the community's health initiatives, Boscongo has taken direct actions in fighting Malaria, a major disease affecting the country, through its Malaria Prevention Program, in accordance with WHO and UNICEF recommendations within the Roll Back Malaria strategy and in line with the more general Saipem's Malaria Control Program implemented worldwide. The prevention campaign consists in supplying insecticide-treated nets and related information to Saipem workers' families, local communities, bush clinics, churches and orphanages. From a more social perspective, in 2010 Boscongo took part in a major job fair

that was organised to assist unemployed people of local communities in their job search. Professionals from the Human Resources Department provided tips and advice on how to improve the possibility to find a job, focusing on how to present a CV, a cover letter and how to prepare yourself for a job interview.

HSE performances

A key pillar for HSE management in Saipem's affiliates operating in Congo is 'Prevention'. The HSE Management system, supported by the General Manager, is evaluated during a monthly Steering Committee Meeting among the affiliates, weekly internal meetings with the Clients, and by different committees from the Government.

CONGO



Our Local Management approach



**Interview to Mr. Chérubin Bessekouaou Mbakou
HSE & Sustainability Deputy Manager for Boscongo**

What was your first occupation in Boscongo?

I was hired by Boscongo on November 15, 2005 as an HSE supervisor. After a two-month probation period, I decided to stay considering the range of opportunities in maintenance, construction and drilling activities onshore and offshore inside Boscongo. During my first mission I was the go-between for Saipem and the client, I was therefore the focal point for the set-up of the QHSE management system for Congo in compliance with Saipem's standards, Congolese legislation and the client's expectations. My main tasks were dealing with documentation, communication and reporting; organising toolbox meetings and inspections. I also participated in internal and external audits.

How do you consider the influence of Boscongo regarding the improvement of your technical skills and way of working?

Working in Boscongo has enabled me to gain experience in quality, hygiene, health, safety, environment and sustainability.

My personal development throughout my changes of job position and missions has helped me to get promotions and build a good knowledge of Saipem's standards and procedures. Discovering a new methodology and new tools, projects, sites, people and clients, also has a positive impact on the way I work in terms of strategy as well as on managing the organisation, men and operations.

Do you think that the work with Boscongo improved your job level?

Boscongo has enabled me to grow inside the HSES department. The technical and managerial skills I have gained during my several onshore and offshore experiences, gave me the opportunity to get new positions. Now, I am the HSE & S Deputy Manager for Boscongo. My goal is to improve constantly the HSES performances of the company. In a couple of months, I will become the HSE & S Manager for the reconstruction project of Quay G of the port of Pointe Noire. My objective is to increase the reputation of Boscongo in terms of HSE & S by setting up a close monitoring of activities at all levels. This is the only way to achieve the HSE & S goals of the project.

Awareness is raised through training programs and motivation actions. This way, the Leadership in Safety and the Health Program are fully applied to all operating realities. In addition to that, Boscongo has implemented an extension of this program for workers' children known as 'Little LIS', with the purpose of affecting workers' safety behaviour: indeed, children can have an important influence on their parents, considering the power of a child's love to change their attitudes. In 2010, the program started with 16 children designated as little leaders in safety. Concerning Health issues, two major activities were implemented in 2010 to offer preventive measures to all employees: there were launched a vaccination campaign (Tetanus, Polio, Diphtheria) and a Cardiovascular Risk Assessment Program in order to identify workers at high risk of heart disease. For 2011, the company is planning two important projects: the 'Risk Reduction

Program' for high risk people, and the setting up of an 'Internal Clinic' to improve medical care for the employees. With respect to environmental issues, the company is striving to minimise waste generation and promote waste segregation. Likewise, spill prevention and reactive response are managed through the launch of a dedicated awareness

campaign, inspections, trainings and equipment to deal properly with any incident. Saipem's affiliates operating in Congo keep personnel informed about their activities by circulating an internal magazine, 'Un Regard', created for a constant integration into the company's sustainability approach.



Armel Moukougou - Saipem big structures

Indonesia



By **Gianfranco Gonzales**,
Operations Manager

It is my first day at work and I am in an offshore yard where 5,000 people work and two modules (8,000 t and 11,000 t) are to be built. It is almost by chance that my professional career started with oil platforms; however this kind of construction would be part of all my following working years. My experience in Saipem Group began in 1997 for the Asgard project, in Norway.

Projects go by and so do years, and here I am working as an Operations Manager for the new yard in Karimun-Indonesia. On the one hand my job is like the one already carried out in Kazakhstan for Kuryk yard, that is starting the yard for productive activities; on the other hand circumstances are very different, hence, a new approach to different strategies will be needed.

Karimun is a small island, a few hours away from Singapore, as well as from Batam, which is a little bit larger than Karimun, densely populated and a base for 72 offshore and ship yards and other electronic industries.

On the contrary, in Karimun, industry has not arrived yet and the main activities for its estimated 110,000 inhabitants are fishing, agriculture and granite caves. After assessing several sites, the near Batam island included, Saipem decided to build a yard here. The search had been rather long, and in the end Karimun was the only territory that met all requirements. They had been searching for a site in a politically stable country, where there could be an area large enough to build a 130-hectare yard and a 900-metre long quay. As the yard was also conceived for FPSOs and Saipem's vessels, water

INDONESIA



Saipem Presence since:	mid 1980s
Personnel in the Country:	1,075, of which 76.8% are locals
Most relevant projects:	Work is underway for Premier Oil Natuna Sea BV on the EPIC Gajah Baru project in the West Natuna Sea offshore Indonesia, which encompasses engineering, procurement and installation of two platforms, a bridge connecting the platforms and a subsea gas export pipeline. The deep-water drillship Saipem 10000 , operated from March to mid-June on behalf of Eni offshore Indonesia, before returning to the shipyard in Singapore for certification purposes. The vessel subsequently resumed operations for Eni, first in Indonesia and then in East Timor.
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.

depth in front of the quay and access to international routes were two factors affecting Saipem's final decision on Karimun. Today the community in Karimun feels this big expectation towards Saipem, which represents the first real industrial development opportunity in the island these days.

The objectives that Saipem wants to achieve for the yard are quite challenging. The construction of this yard goes beyond the needs of the Indonesian local market, for its extension of both open areas and plants and for the type and quantity of equipment used for light and heavy carpentry. Therefore, Karimun is not to be considered as a local yard, but as a yard born to serve any geographical area where Saipem operates. This leads to a constant exchange between our sales department and the colleagues working in the different areas, in order to support the strategies required for several projects all over the world.

Given the extension of the yard, job opportunities are many, from big jackets and decks to the fabrication and integration of modules for FPSOs. It is easy to picture the yard teeming with 5,000

people, busy working on different projects. The actual presence of about 2,500 people devoted to the construction of the yard itself, is a fact supporting this reality. The challenge is not only to develop an industrial activity in a place where it hasn't arrived yet, but also to do it in the view of a competitiveness that goes beyond the local market; so we have to face methods and costs for yards located in distant areas that are different from ours. To this day there are no suppliers of goods and services in Karimun, therefore everything has to come or be brought from Singapore or Batam, with a consequent increase in costs. As all suppliers understand the importance of such investment from Saipem, they want to be part of the ongoing business, even though they are well aware of the logistic difficulties still present in Karimun: this is the reason why they are circumspect about opening a new business location. With regard to local resources – and with the word local we primarily refer to the island's resources, whose industrial culture is not prominent – Saipem has already worked on several initiatives for internal trainings and collaborations with the schools and universities located

experts panel comments

Saipem has identified well the risks and benefits in time for such an investment decision. Local Content planning is realistic and well embedded in all project phases. It is tackled as a success factor not to hamper and create delays to construction, justifying this investment, while directly contributing to leverage

economic opportunities and social development in the area. Facts and numbers are well tracked allowing transparency and constructive discussions with project stakeholders, to enhance Local Content development.

Cyrille Putz

in Karimun. However, I have to stress that local resources have shown great professionalism and a strong will to improve along these years of construction, in order to be part of the development of the yard. I am therefore quite confident about this matter.

Once again, Saipem, with its Karimun yard, is not afraid to be a pioneer in developing remarkable industrial initiatives in remote areas, insomuch as other big companies have started considering Karimun as a new base for developing their own activities after Saipem's arrival on the island.

An Investment Today for the Business of Tomorrow

Karimun Regency is one of the most important islands in the Riau Archipelago (Indonesia), due to its thriving economy and proximity to Singapore and Malaysia. Located amidst Batam and Riau Province (Indonesia), Johor (Malaysia) and Singapore, Karimun Regency has become a strategic place for national and international trade routes. Based on

the 2009 census, the total population in Karimun Regency is approximately 160,000. Most people live within or near Tanjung Balai, that is the main town of Karimun Regency. Most of the local population is employed in the agricultural (crop, poultry and fishery) and mining industry. Some locals have been working in the nearby islands, Batam and Bintan, that are relatively more developed.

Karimun Fabrication Yard is Saipem's new yard, which is currently under construction and expected to start operations by early 2011. The functions of the yard shall include: fabrication for FPSO module integration; fabrication of topsides, jackets, wellheads and ancillary structure items; logistic support to marine transportation activities.

Saipem's presence in frontier areas in the fast-growing Far East, will be strengthened and supported by the fabrication capabilities and logistic services of the new yard.

Saipem's strategy for Karimun Fabrication Yard is deeply focused on the integration between business targets and

development in a local context, to achieve a long-term success in Karimun.

Maximisation of local employment is one of the main commitments currently in development; in fact among Saipem's activities in Karimun of note are vocational schools, especially welding courses. Safety issues are a very urgent matter, therefore Saipem promoted safety awareness trainings, arranged by a temporary work Agency, addressed to vocational students, and focused on the use of PPE, welding, physical & chemical hazards and housekeeping.

Karimun Fabrication Yard is also focused on exploring the feasibility of good procurement practices and services from local suppliers/subcontractors. At the present time, some of these services are catering, housekeeping within the yard, accommodation, office consumables and local transportation. In order to maximise the number of local suppliers and then the quantity of locally purchased goods, the local procurement department has optimised the qualification process, by

INDONESIA



HSE Karimun Yard reached an important safety record in 2010: 8,520,624 man hours (1,160 days) without LTI. The impressive safety record was achieved thanks to Project Director's Guidance and Directions, Site Management's support, Proactive Safety Performance, as well as an active support from all levels of Saipem's Karimun Yard project together with the Contractor's contribution in maintaining a safe workplace.

INDONESIA



Gajah Baru Project

Gajah Baru Project is an important project for Premier Oil that comprises the development of Gajah Baru, Naga and Iguana fields, with further production of required facilities which is duly underway.

In May 2009, PT Saipem Indonesia, jointly with SMOE Pte Ltd, was awarded a contract to manage this Project. Saipem's scope of the Project includes engineering, procurement of all equipment, construction and offshore installation of the two platforms as well as pipeline laying. Operations started in August 2009 and are expected to be completed in October 2011.

Among the fabrication services for the facilities carried out in Indonesia (Batam yard), works include fabrication of two jackets, two topsides, the pipeline and the Pipeline End Manifolds.

Approximately 250 employees, including 160 engineering specialists, have been mobilised for this Project. According to percentages, employed local Indonesians account for 86% of the overall resources and 90% of the engineering team.

The project's scope is to achieve 34.73% of local procurement: this is a relative high percentage, considering the nature and complexity of such project. The procurement of domestic products

and services has been maximised along with the Project's technical specifications, including some critical equipment, *such as ICS, Switchgears, E&I cables*, apart from the supply of pressure vessels, glycol package, produced water treatment package, condensate treatment package, as well as bunkering vessels mobilised for offshore installations.

At the end of 2010 (20 months since the Project started), 3,841,585 man hours worked without LTI were achieved; while for the Total Recordable Incident Frequency Rate recorded, it was 0.78.

These results are remarkable and were mainly achieved through:

- the Project HSE Management System's commitment to managing occupational health and safety issues;
- the Project incentive scheme encouraging both individuals and groups to cultivate the correct habit of ensuring a safe working environment;
- the commitment of the Project management team to working with clients and subcontractors;
- the relentless enforcement of HSE standards;
- an extensive training program (a training target of 7.4 man hours for Project personnel for every 1,000 man hours worked).

increasing the number of qualified local suppliers for services and goods, also with high technology standards. Local Content is around 40% of material purchasing while 80% of subcontracts were assigned to Indonesian companies.

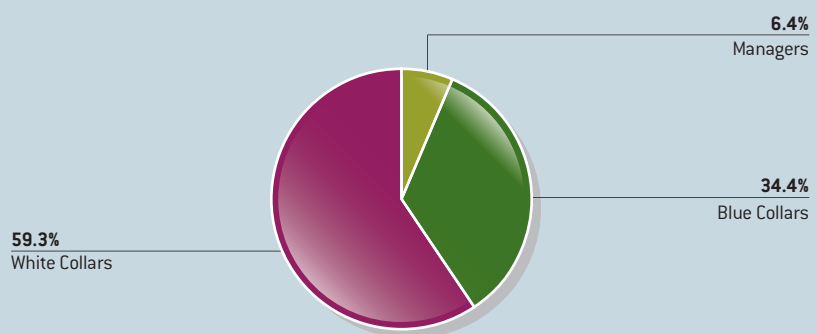
Local suppliers have also participated in environmental recovery projects, by planting different types of trees in the areas affected by the first yard construction activities, trying to bring the territory back to pre-existing conditions.

Local Human Resource Development

For the Fabrication Yard in Karimun, skills development of local human resources is a goal to achieve as well as a challenge for local administrators, to attain further benefits for the future.

From the Company's perspective, in addition to the welding courses destined to local young candidates, the challenge

Total workforce in Indonesia by category (*) (%)



(*) People from Employment Agencies excluded

is to manage different sources of local content in order to integrate the yard development into the Development Plan established by the Karimun Regency, which includes the upgrading of several infrastructures and facilities, for a short as well as medium-to-long-term process. Schools' quality enhancement will focus on upgrading facilities, improving the level of instruction and education, and

launching safety campaigns, either in Elementary, Junior High and Senior High Schools, as well as in local Universities. A short-term program allows employees to come from other regions to relocate with their families to Karimun Island, while medium-to-long-term ones support schools to train young people so that they can meet Saipem's business requirements in the near future.

Iraq



By **Francesco La Rosa**,
Business Development
Manager in Iraq

Saipem in Iraq: a most challenging mission

In the heart of the Middle East, in spite of its huge potential, Iraq has been excluded for many years from oil and gas developments because of its well known history of wars, harsh political regime and consequent international embargos. With its newly established democratic and parliamentary institutional realities, since 2004 the country has been re-entering into the list of the most interesting and strategic geographic areas for the oil and gas operators.

Today oil represents more than 90% of Iraqi exports. The oil production of the country has fluctuated between 1.5-2.4 million barrels per day in the period 2005-2008, making Iraq the 12th largest world oil producer.

It is widely acknowledged that the potential of the country is much higher. Official estimates point to 115 billion barrels of oil reserves, which would make Iraq get third-place ranking in the world oil reserves. This is a conservative estimate, based on estimates made in the '90s and considering wells no deeper than 1,000 metres.

The Iraqi Ministry of Petroleum has recently revised these estimates upward to 143 billion barrels, but there are reasons to believe that the ultimate potential is much higher, probably close to Saudi Arabia's 260 billion barrels. In this scenario, starting from 2008, the Iraqi Government has launched a number of economic development initiatives in the country and has opened the market to

IRAQ

Developing Local Presence: Saipem in Iraq

Rumailah Camp Facilities

Sajer, a JV with local partners, registered in Iraq since 2009

Sajer Assets:

- Baghdad Head Office (Int. Zone);
- Basrah, Airport Facilities (Inside CoB Base);
- Rumailah: Camp, Logistics Base, Prefab Yard, Training Centre, Laydown Yard (Operational from Feb. 2011).

new investment opportunities to local and international investors.

These initiatives are focused on the following sectors:

- Oil & Gas Upstream;
- Infrastructures;
- Power generation;
- Downstream.

Several major International Oil Companies (IOCs) have proposed upgrading and investment programs for the execution of new projects, according to concessions and service agreements given by the Iraqi Government and related Iraqi Authorities: in particular, new drilling projects and workover of existing oil fields, which need to be revamped and restructured because of their poor current conditions. Concessions to upgrade, expand and develop existing and new gas fields as well as the infrastructure related to the oil & gas exploitation (pipelines, storage, harbours) have also been awarded.

Furthermore, the growing demand for refined products and the expansion of oil production will provide the opportunity to upgrade and increase the refining capacity. A number of such downstream projects have been defined, and work on some of them has already started. This development of the Iraqi oil & gas industry could make Iraq one of the most interesting investment and growth opportunities in this sector in the next ten years.

Inevitably, there are some critical factors to be considered, such as political uncertainty, terrorism and security concerns, lack of infrastructures and poor logistics, availability of specialised human resources, lack of financial resources and complex international relations, in particular with OPEC countries.

Saipem has been actively preparing for the Iraqi market by applying its well proven industrial model based on high quality



Griso Alessandro - Together we can

engineering and project management combined with emphasis on local content, to project execution.

Saipem unavoidably will face strong competition as many contractors are entering the market, too. Companies specialised in exploration and drilling have maintained a presence in the recent years as well as some project management and consulting firms.

Given these considerations, Saipem will put in place its capability to:

- Mobilise resources and skills for relevant large-scale projects;
- Train people locally and in its main offices;
- Deliver value and provide sustainable solutions for local communities;

- Establish partnerships;
- Ensure security to its people and assets.

Saipem is currently registered in Iraq also through Sajer, as Saipem owns 60% of Sajer shares. Sajer is located also in Dubai and manages an accommodation camp near Basra.

Various Memoranda of Understanding have been signed to develop the cooperation with Italian and Middle Eastern construction companies. A Service Agreement has been signed with a major IOC and an initial task force of 70 people has been organised in Fano (Italy), in our engineering centre and centre of

excellence for pipelines and upstream facilities. Saipem has been successfully pre-qualified by many majors and initial EPC bids have been presented for some of the most important onshore projects (upstream, refinery and petrochemical plants), including proposals for the training of Iraqi personnel.

In the future Saipem plans to expand its activities in the country with the main aim of contributing to the industry reconstruction in order to increase the capacity and reliability of the oil & gas sector in Iraq. Developing partnerships and agreements with the local socio-economic actors will be an integral part of Saipem's strategy.

Kazakhstan



By **Sholpan Atchibayeva**,
Project Procurement Manager
Saipem Kazakhstan Branch

Local Content approach in Kazakhstan

Since the beginning of my experience in Saipem in 2001, when I joined the Kazakhstan branch on *Karachaganak Main Work Contract*, Local Content has become an increasingly important issue in Kazakhstan. Such importance is emphasized by the Kazakh Government that announced ambitious local content objectives for the companies operating in the country, aimed to increase the competitiveness of the local market for goods and services.

In order to build an effective and uniform monitoring system of the observance of Kazakhstan content regulations, the existing practices have been updated and changed.

Local Content is part of the contractual obligations undertaken by Saipem and Ersai under various main (EPC) contracts, which the Saipem Group has in the Republic of Kazakhstan. Therefore, one of the strategic priorities of our company and Ersai Caspian Contractor Llc is to increase the volume of Kazakh goods and services by means of the identification of potential vendors, prequalification procedures and development of the companies' opportunities and capacities in this country.

Saipem and Ersai's common approach to develop and increase the use of Kazakh goods and services is based on the following methods:

- constant identification of potential vendors through various exhibitions, which our company actively takes part in, during forums and workshops

KAZAKHSTAN



Saipem Presence since:	1995
Personnel in the Country:	4,374, of which 71.7% are locals
Most relevant projects:	<p>For Agip KCO, as part of the programme for the development of the Kashagan field:</p> <ul style="list-style-type: none"> - offshore pipelaying operations were completed in relation to the previous work scope and engineering and procurement activities began in connection with the extension of the Trunkline and Production Flowlines project, which comprises engineering, procurement, laying and commissioning of pipelines, fibre optic cables and umbilicals; - work is underway on the extension of the contract for the Piles and Flares project, which encompasses the installation of modular barges, a flare, a number of piperacks, a connecting bridge and various other structures currently under construction in Kuryk; - activities continued on the Hook Up and Commissioning project, encompassing the hook-up and commissioning of offshore facilities and pre-fabrication and completion of modules at the Kuryk yard. <p>Drilling/workover operations continued on behalf of Karachaganak Petroleum Operating (KPO) in the province of Uralsk. During the year, three rigs owned by Saipem continued drilling operations in Uralsk and Aktobe provinces for Zhaikmunai Llp, Maersk Oil Kazakhstan and OilTechnoGroup. Work continued on two contracts for ExxonMobil Kazakhstan Inc (EMKI), encompassing the decommissioning and transportation of two rigs owned by the Client.</p> <p>Drilling operations were completed on the 'D' Island project on behalf of Agip KCO in the northern areas of the Caspian Sea. The project comprised drilling operations in Block D of the Kashagan field. Operations for the decommissioning and transportation of the two rigs owned by the Client has now commenced.</p>
Main sites of long-term presence:	<p>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.</p>

organised by clients for local suppliers and subcontractors;

- development of potential Kazakh suppliers of goods and services by the Procurement Department in collaboration with Project, QHSE and other competent departments through meetings, consultations and seminars;
- encouragement of foreign vendors to maximise the use of Kazakhstani labour and resources, thus maximising local employment, which ultimately leads to a socio-economic development of the country;
- introduction of foreign and Kazakh companies to form joint venture

partnerships, so that foreign companies may bring in technological progress, transfer skills or make investments, and the Kazakhstan ones could bring in their capable and qualified employees at all required levels.

Notwithstanding, our strong commitment and proactive approach to maximising Kazakhstan content in procurement and the challenging realities connected to the specific nature of the Projects that Saipem has in this country, cannot be disregarded. Kashagan is known as the first offshore oil and gas project in the history of Kazakhstan. It is considered to be one of the world's biggest and most technically



Bibigul Kashabayeva - Preparation of the pipes for transportation offshore

complex projects being currently developed in the environmentally sensitive area of the North Caspian Sea, with several consequent restrictions due to Kashagan field location within a protected territory. Due to the above reason, the procurement of the most sophisticated and technologically advanced equipment, materials or services, is often required to carry out a successful execution of the Projects. Some equipment, complying with offshore international standards and Saipem's customers requirements is not produced in Kazakhstan and therefore purchased from abroad.

As a good example of local content maximisation, we can mention the process of purchasing spare parts and consumables manufactured in Kazakhstan and the further completion of works for offshore modules and barges manufactured abroad with assemblage in Kazakhstan. Our company is aware that national manufacturers need assistance and help to develop their capabilities in order to meet international standards. Saipem's companies, supported by

their competent departments, provide such assistance whenever possible, and encourage local vendors to obtain ISO, API or ASME¹ certificates and other international quality certificates by organising various clarification meetings, consultations, external qualification audits in compliance with standard requirements and further feedback, such as audit reports with relevant recommendations. I think our company is a real committed enterprise, where everybody's contribution in developing and implementing the local content policy is indeed invaluable!

Responsibility and commitment

Saipem in Kazakhstan intends to implement its activities in a safe, transparent and sustainable way, by working closely with local authorities and communities to maximise any positive effect from all operations and bring long-term benefits to Kazakhstan's citizens. Such commitments require close collaboration with national and local authorities, and with local communities.

Training & Development of Kazakh Personnel

Saipem Kazakhstan is growing at a fast pace: this fact leads to several challenges related to the company's need to train its employees and improve their skills, so that their talents can be fully expressed and their potential in all performances fulfilled.

The objective of local personnel development is to ensure that Kazakhstani employees – through appropriate qualifications and competences – reach any technical, professional, supervisory or management level. As a matter of fact, Training & Development aims to gradually replace expatriate personnel with locals with proven professional skills, thereby achieving clients' targets set out within the Product Sharing Agreement.

Highly skilled and qualified personnel is indeed vital to the company's sustainability process. To ensure an appropriate human resources development plan, Saipem's employees'

[1] ISO: International Organization for standardization; API: American Petroleum Institute; ASME: American Society Of Mechanical Engineers.

performances are verified and evaluated through an annual Competence Assessment. Depending on the results, the HR department takes action to fulfill the gaps and develop the required skills by creating a Training & Development Plan. According to 2010 training records, Saipem Kazakhstan delivered around 3,000 training hours, mainly on HSE and technical issues.

Marine Training in Oman

Saipem Kazakhstan has been running a long-term Marine training program: the company's goal is to train future local captains and chief engineers according to the local legislation requirements. To this purpose, Saipem Kazakhstan has involved one of the biggest institutes of higher education in the world, the International Maritime College Oman (IMCO). Saipem has decided to recruit 8 graduates from the 10 best Kazakhstan Universities, by testing and interviewing hundreds of students/applicants, for these two programs: Nautical Studies (Deck Officers) and Marine Engineering. During their study in IMCO, lasting 4 years and 6 months, students will be trained in the best and innovative learning environment, which will help them gain appropriate knowledge and practice. All knowledge and skills acquired will be implemented by students upon college graduation in Saipem Kazakhstan, thus replacing current expatriate personnel.

Technical training program for Kazakh engineers

Thanks to the close cooperation between Ersai and Saipem Energy Services (SES) in Fano (Italy), a program to train some Ersai's senior technical resources working in the construction sector started in 2010, by providing an overview of the main procedures in offshore pipeline design. To this purpose, a group of five young Kazakh engineers will spend a period of nine months at the engineering centre at SES Fano, and then a further period at the

Integrated Projects unit in Milan (Italy). They will also be involved in offshore campaigns on board the lay vessel Castoro 12, operating in the Caspian Sea. The graduates will be trained in specific technical issues through a technical academic course consisting of 25 thematic workshops to be held over the entire period of their stay. Particular attention will be given to an 'on-the-job training'.

Saipem Kazakhstan Sustainability approach

The projects involving local communities are an important element of Saipem's corporate and social responsibility commitment in Kazakhstan. Under its 2010 Sustainability program, a list of initiatives focusing on culture, environment, healthcare, education and sport, have been supported: among them, seminars and training courses for teachers, education campaigns, environmental awareness workshops and landscaping activities in schools, as well as programs for the creation of good conditions and the modernisation of a rehabilitation centre for children with speech impairments. Some giving initiatives were also aimed at purchasing musical instruments and medical equipment for a hospital in Atyrau. On the occasion of the 370th anniversary of Atyrau, the company supported the publication of the 'Study guide for teachers of geography and history' in order to provide local teachers with a handy tool to present the history of the

region through local people and their work, historical places, cultures and traditional points of the region, as well as the description of some social activities of Saipem Kazakhstan. This book was limited to 1,000 copies and published in Kazakh, Russian and English languages for educational purpose, and distributed among educational institutions during the dissemination seminars for the teachers.

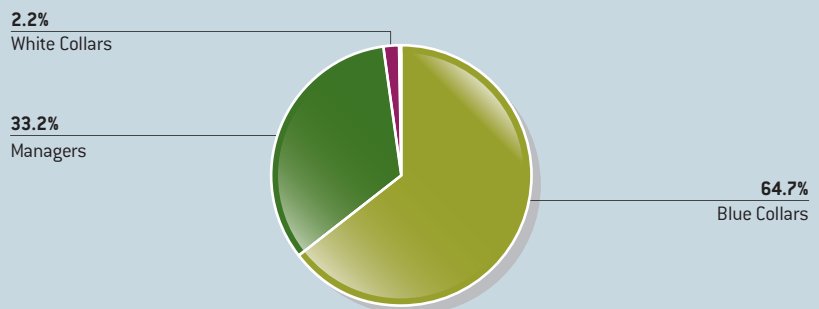
Safety and Environment Management

During the year 2010, Piles & Flares project completed a total of 1585481 manhours. During this period there was one LTI (5 LTIs occurred in the previous three years). The overall performance during the four years of the project has improved.

This good result was achieved through a constant focus on safety and everyone's commitment to working hard together, also in cooperation with the Client Site team, to achieve a safe working environment.

Besides this, other significant activities implemented during the year were **risk assessments** for the fabrication and production activities, produced both for onshore and offshore activities. Further in house HSE training has been stepped up and field engineers and Asset Superintendents are involved in Tool Box Talks (for important jobs, the Tool Box Talk is being conducted by the Superintendent himself). Since the beginning of the project, a total of more than **18,000 training hours** for HSE training were performed, over

Total workforce in Kazakhstan by category (%)





Saipem Kazakhstan Branch Procurement team in Atyrau

1,500 HSE meetings were held both for Saipem and subcontractors. A total of 1,431 inspections were conducted on Saipem work sites.

Awareness campaigns were carried out weekly to promote the importance of workplace safety, dealing issues like safe driving, manual handling, personnel protective equipment, trips, falls and other safety relevant matters.

The implementation of the **Leadership in Health and Safety** has been a great success also on the projects managed by Saipem Kazakhstan branch. The LiHS phase II and phase III training were successfully conducted during the 2010 season, thus covering the 80% of the whole workforce. In order to be in line with the Client's commitment to achieving the highest standard of safety, Saipem Kazakhstan rolled up the **Golden Rules Visible Implementation monitoring program (GRUVI)**. The GRUVI includes ten Health and Safety Golden Rules, covering Driving Safety, Management of Changes, Lifting operations, Fire safety, Working at Height, Energized System, Excavation Safety, Permit to Work, Health Management and Personal Protective

Equipment. Over 70 inspections were carried out to check the compliance with the Golden Rules, with positive results. One of the major initiatives to be highlighted is the **Road Traffic Safety Improvement Program and Awareness campaign**, carried out for all Kashagan Projects (Trunk lines, Piles & Flares and Hook Up and Commissioning) and at Ersai. The initiative was substantiated by several actions:

- renewal of rental contracts of the vehicles used by Saipem's personnel, to include stricter safety requirements on vehicles;
- renewal of the drivers' contract requirements to include more severe recruitment requirements, and definition of a disciplinary scheme to be applied in case of any violation;
- installation on all cars of the In Vehicle Monitoring System (IVMS) to monitor, speed limits, the use of seatbelts, harsh braking and accelerating, etc., in order to verify the compliance with the rules;
- internal HSE training addressed to all drivers, to analyze car accident causes and lessons learnt, Road Safety Rules were discussed with drivers by using some videos;

- defensive driving campaign for drivers;
- an incentive scheme to reward the best driver of the month will also be implemented in order to reinforce safe driving behaviour.

Environmental protection remains among top priorities as well. This year, Saipem Kazakhstan has been carrying out a large number of onshore and offshore environmental awareness programs among the workforce.

Concerning the oil spill response, constant focus was given to the implementation of the dedicated **Projects/Site Oil Spill Response Plans (OSRP)** as well as emphasis on the prevention of spills was given in all Oil Spill Response trainings. A periodical Oil Spill Response exercise is conducted by the HSE team in order to check efficiency, readiness and quick response on each site, barge or vessel as per general requirements of SOLAS and Project specific provisions.

As a result of the good preparation, continuous training and awareness campaigns, there was **no spill occurrence in 2010**.

In view of a continuous waste reduction and

minimisation, Saipem has implemented a program in all its operating sites so as to minimise hazardous waste and succeeded, so far, in eliminating food waste and hazardous spray cans from the waste stream and in reducing domestic waste volumes. These issues are also continuously dealt with through continuous trainings and improvement approach.

Sustainability Plan in Ersai



By **Yan Chan**,
Ersai Deputy General Director

As a responsible corporate citizen, we should concern ourselves with how Ersai is considered from the perspective of the local community. Are we viewed positively or negatively? Does the local community feel that Ersai's activities provide a positive impact to the areas where it operates? It is important for our company to maintain a good relationship with the local community for industrial, commercial and environmental reasons. With a view to its sustainability approach, Ersai is also interested in developing strong and sustainable infrastructures, be it with small or medium enterprises, reliable subcontractors, good business partners, etc. As I said, I am quite satisfied with Ersai's approach to sustainability, which involves

the right people and is supported by Saipem's Corporate Top Management. However, Ersai should maintain and even increase its efforts. We have started some exciting projects and need to keep these initiatives afloat. Ersai cannot be considered a successful company if it's located in a depressing area.

Ersai annual Sustainability Report

Since the beginning of construction activities in Kuryk in 2005, Ersai has developed and implemented an annual Sustainability Plan based on the analysis of its stakeholders' needs, aimed at creating an effective engagement with the Community and Stakeholders. In addition to this, the company is provided with an internal accounting and monitoring system for indoor and outdoor indicators which manages issues associated with its environmental, economic and social performances.

Given this implementation of the 'Sustainability system' and the growing need to effectively engage with local stakeholders – primarily local authorities and clients – Saipem and Ersai decided to publish the **first Ersai Annual Sustainability Report**, available both on Saipem's (www.saipem.com) and Ersai's websites (www.ersai.kz). The report is intended to describe Ersai's engagement with Kazakh stakeholders and its

commitment to improving these business relationships.

The following section focuses only on the main activities performed by Ersai throughout the year: details are available in the company's sustainability report.

Dialogue with local Authorities

Experience demonstrates the importance of frequent and ongoing contact and dialogue, either formal and informal, with authorities. This is the main priority for an effective community engagement. In 2010, Ersai conducted several meetings with local stakeholders on the progress of the Sustainability Plan. On such occasions, unresolved or pending issues were discussed and each part took necessary actions. This is a good result, as both Ersai and local authorities work together in order to achieve a common objective – the socio-economic development of the region.

Local Authorities Complaints released during their inspections, were closed in time by the process owners to whom they were addressed.

Cooperation for Local Development

During 2010, Ersai provided **Karaganda State Technical University** with welding equipment, which is the largest contribution to a training of local welding specialists.

experts panel comments

The Sustainability Report 2010 fully addresses the fundamental issues on Sustainability Report; the businesses in Algeria and Kazakhstan are good examples. For such countries it is worthy of note the frame agreement with USTO (Université des Sciences et de la Technologie Mohamed Boudiaf d'Oran) in Algeria and the set-up of a system for management of Health, Safety and Environment in Kazakhstan.

Working safely is a priority for Saipem as demonstrate by the

set up of a system for the management of Health, Safety and Environment in Kazakhstan. The effectiveness of the system is demonstrated by the 2 million work man-hours without an LTI (Lost Time Injuries frequency rate) and the overall values of LTI and TRI (Total Recordable Incidents frequency rate). It is worthy of note how the values of LTI and RTI achieved in Saipem projects are hardly achieved in some industrialised countries.

Augusto Di Giulio



Alexander Kolesov - Winter

Under the Memorandum on mutual cooperation signed between Ersai and **Kokshetau University** concerning the development of innovative technologies, the qualification of specialised people in the oil&gas sector, construction, mechanical engineering and metallurgy, Ersai purchased and supplied the University with computers and other ICT facilities, amounting to around € 15,000.

In the years 2009-2010, Ersai launched its **scholarship program**. The main purpose of this program is to support students of indigent families by financing their university studies at one of Kazakhstan State Universities. It was initially conceived as a program addressed to 5 students living in low income families who obtained good scores in the National Testing Examination, but the implementation of this project resulted in the selection of 6 students, who are now studying at different faculties at Karaganda State Technical University, such as welding, mechanical, construction, etc. The company provides tuition payments for 5-year studies at the University, a monthly allowance and transportation costs.

In 2010, Ersai started its **Sustainability campaign among its potential subcontractors** with the purpose of

achieving more results through the partnership with other companies operating in the local market. This initiative mainly aims to bring the principles of Ersai's Sustainability Policy to the attention of subcontractors and improve their mutual relationship, by getting subcontractors involved in the social life of the community where they are working and making them aware of the initiatives implemented by Ersai, and the potential projects they could adopt.

Ersai is also active in initiatives addressed to its personnel, either local and international, as to improve managerial and technical skills and achieve the best possible results in safety. For instance, in October 2010 Ersai sent 5 local young engineers to attend an on-the-job training in Italy. Scope of the training course is to provide trainees with the basic knowledge needed to carry out engineering design activities relevant to the offshore Oil and Gas transportation system (Rigid Pipelines) by using state-of-art methods and international Standards and Codes.

Safety and Environment

With the purpose of monitoring, in industrial areas, health parameters such as noise, vibration, lightening and welding fumes,

some measuring equipment and tools have been purchased and will be used in-house. Concerning radioprotection measures, Ersai implemented and put into operation **Phased Array and TOFD (Time of Flight Diffraction)**, which are Advanced Non-Destructive Testing Techniques in Ultrasonic Testing. Such techniques have a significant advantage over the conventional Radiographic testing by harmful Radiations (Majority of Radiography scope will be replaced by PA/TOFD).

From a more technical point of view, several improvements were done at Kuryk yard to improve Ersai's operating performances. To provide a constant and uninterrupted potable water supply within the base, **water desalination plants** have been set up: they will allow reducing traffic generated while transporting water to the base. Commissioning of the **110 kV Double-circuit overhead transmission line** at Kuryk Base will help to reduce air pollution diesel emissions (15,000 tonnes of CO₂) and decrease fuel spills emergency, as a result of diesel generator shutdown and elimination of noise of diesel generators affecting both people and environment.

Finally, the past year sewage treatment was improved by **upgrading Sewage Treatment Plants**.

Libya

By **Francesco Saraceno**,
Libya Onshore Area Manager
and SA.LI.CO. General Manager

Libya, a member of the Organization of Petroleum Exporting Countries (OPEC), holds the largest oil reserves in Africa. According to the latest estimates, the country had a total of 43.7 billion barrels in January 2009, which accounts for about 3% of the world's total oil reserves and 5% increase in 2008. However, it is estimated that only a quarter of all fields have been fully explored, therefore the potential for new discoveries remains enormous. With this vast untapped reserves, Libya has long been one of the favourite investment destination for oil majors, especially since the restoration of full economic ties and the beginning of a new exploration licensing round. Libya can continue producing for over 60 years at current output levels and

hydrocarbons continue to power Libya's expansion. Oil is Libya's economic engine and is responsible for a large share of GDP. According to estimates from 2008, it accounted for 95% of all export income and around 70% of GDP. The country has also competitive advantages in oil production investments. First of all, the very low cost of production, secondly the high quality of Libyan crude. Thirdly, Libya's key export markets – Italy, Germany, Spain and France – are practically on their doorstep, with transport costs lower than in other major African oil-producing countries such as Nigeria. One of the key objectives for the Country

is high employment of Libyan personnel in projects involving foreign entities as a way to create new jobs and stronger local pool of energy expertise. Saipem and Snamprogetti have been in Libya since the '60s, each Company with a Branch. In the past these two Companies developed in this country some important projects, such as the Mellitah Plant of the Western Libya Gas Project, the Sabratha platform installation, the pipelaying of the Greenstream project, just to mention the last ones. Our sustainable strategy in Libya is aimed at getting our business in perspective to build the basis for a long-term value, also

LIBYA



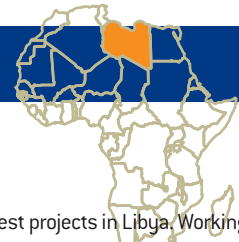
Saipem Present since:	mid 1960s
Personnel in the Country:	236, of which about 73.3% locals
Projects Ongoing:	The semi-submersible platform Scarabeo 4 operated in Egypt and Libya for IEOC. The Packaged 5820 installation continued operations in Libyan waters for Mabruk Oil Operations Co.
Main sites of long-term presence:	Saipem Libya Limited Liability Company - SA.LI.CO. LLC, with offices in Tripoli.

Note: the information reported on Saipem's activities in Libya refer to the situation as at December 31, 2010. Recent on-going events in the country could imply changes in the Company's business strategy.



Barbara Fortunato - Where Old and New live together

LIBYA



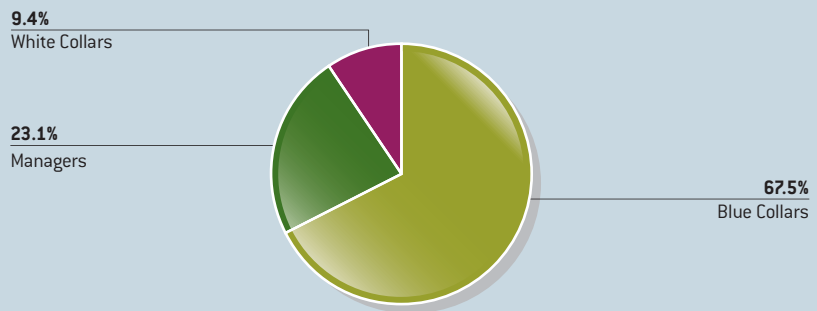
Abdurrahman M. Ellafi - Process Engineer

SA.LI.CO. Llc Company has provided a unique opportunity for young Libyan engineers to develop a great career in the oil & gas industry. The knowledge gained has been great in terms of quantity and quality. For the first time in Libya, a company has recruited many recently graduated engineers with the talent, ability and energy to make the basis of a successful future. We went through a special training program held by many expert engineers who have been working for many years in many company branches, participating in many big worldwide projects,

as well as in the most important and largest projects in Libya. Working with such a global organisation, as well as with the excellent colleagues who provided us with unlimited support all the time, we will manage to be among the leading engineers operating in this field. Accordingly, SA.LI.CO. Llc is going to be one of the most important companies in Libya in the next future and, with its local engineers, will manage to be in the forefront of pioneering the field of oil & gas industry in the country.

creating consolidated social and business relationships. Within this strategy, Saipem has set up an Engineering Centre in Tripoli, that's been operating since the end of 2008. This structure is in full accordance with Saipem's philosophy to be 'close to the client' during the development of the projects. The local content strategy provides considerable social benefits in Libya, in terms of investments, know-how transfer, contribution to local employment, development of local subcontractors. I have to mention the great work done to guarantee to all our local employees a high level of Medical Insurance, completely charged by the Company, covering all kinds of medical assistance for employees and their families, in several hospitals in Libya and some neighbouring countries. From Saipem's perspective, maximising local content is the key factor to increase competitiveness, to develop steady relationships with local Clients and Suppliers, to monitor the internal

Total workforce in Libya by category (%)



market closely. Such actions have often beneficial effects on project costs and, most importantly, result in decreasing the overall risk profile of the project in question. Local content maximisation in Libya also meets the National Oil Co's (NOC) strategy to develop technical and management local skills. At the end of 2010, approximately 120 professionals have been hired by Saipem Libya Limited Liability Company - SA.LI.CO.

Llc, most of them are Libyan engineers. The main activities in SA.LI.CO. Llc range from Conceptual Design and Feasibility Studies to Front End Engineering Design, from Detail Engineering and Procurement Services to Project Management Service. The goal is to be awarded the major oil and gas, power and infrastructural projects in Libya. I think the testimonies from some of our employees give a quite good picture of the work done by SA.LI.CO. Llc.

LIBYA



Elhami Belkes - Process Engineer

Saipem Libya Limited Liability Company - SA.LI.CO. Llc started working in Libya in 2010. The company approach was creating a group of local engineers capable to do the job properly, so that all the work could be performed locally with the help of experts from other Saipem branches. Since last year, the company has been training several newly-graduated engineers and helping them improve their potentials and skills in many fields as engineers through well organised courses

associated with working on small projects to apply what they have learnt in real projects. Such courses also give the chance to several local engineers to go abroad to be trained on particular systems and softwares so as to transfer the company's know-how to the local staff. Moreover, since Libya is one of the main countries in oil & gas industry, for me, as a young engineer, working for SA.LI.CO. Llc has been a superior starting point and an opportunity in my professional career.

Nigeria



By **Innocent Ogbu**,
Saipem Contracting Nigeria Ltd
Deputy Head HR, Legal Matters
and Public Affairs

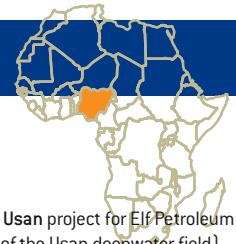
saipem and its relationship with nigerian communities

I joined Saipem Contracting Nigeria Ltd in 1997, working as Legal Adviser. Since June 2008 I have been occupying the position of Deputy Head HR, Legal Matters and Public Affairs. Public Affairs and Community relations are my main responsibilities, that means managing the delicate relationship between the Company and the various communities that are affected by our operations. Since its presence in Nigeria, Saipem has operated in many different areas such as Itshekiri land, Uhrobo land, Escravos, Oleh, Kwale, Yenegoa, Ikwerre, Eleme, Okirika, Iboland, Ogba, Egbema, Kalabari, Bonny, Okirika, Akwa Ibom, engaging several communities, clans and tribes. We are still working in some of these communities, even in this difficult period of unrest in the Niger Delta Region. This is a testimony that our strategy and our relationship with

these communities have been right. In every place we operate, we endeavour to be very transparent with local people and keep our management in the loop. Community relation has become so fragile

that the slightest mistake can have dire consequences on our entire operations. An entire project – even the whole company – can be ruined by a wrong approach to the management of the communities.

NIGERIA



Saipem Presence since:	mid 1960s
Personnel in the Country:	5,274, of which about 81.9% locals
Most relevant projects:	<p>Activities continued on the EPIC type Usan project for Elf Petroleum Nigeria (Total) (subsea development of the Usan deepwater field). Engineering and procurement activities commenced offshore Nigeria on the Bonga North West contract for Shell Nigeria Exploration and Production Co Ltd (SNEPCo), for production pipe-in-pipe flowlines, water injection flowlines as well as related production facilities.</p> <p>For the NNPC/Chevron Nigeria Ltd joint venture, the company worked on the EPC contract for the Olero Creek Restoration project. Work was completed for Shell Petroleum Development Co on the EPC-type Nembe Creek-Cawthorne Channel project, on the EPC-type Gbaran project for Shell Petroleum Development Co of Nigeria, and on the EPC-type Gbaran Logistic Base project for Shell Petroleum Development Co of Nigeria (SPDC).</p> <p>Work is being completed on the first phase of the OB/OB Revamping (T-4/5) project for Nigerian Agip Oil Co (NAOC), at the gas treatment plants of Obiafu/Obrikom.</p> <p>Work is underway for Total Exploration and Production Nigeria Ltd - TEPNG (operator of the joint venture NNPC/TEPNG) on the EPC contract OML 58 Upgrade (new units and demolition and decommissioning of existing units at the gas treatment plants of Obagi and Obite) and for ChevronTexaco on the EPC-type Escravos GTL project.</p> <p>For Rivers State Government, work is underway on an EPC contract of an OCGT (open-cycle gas turbine) power generation unit, in Port Harcourt.</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; and Saipem Nigeria Ltd , operating in offshore and onshore drilling. Saipem has also a construction yard located at Rumuolumeni (a community about 10 km from the town of Port Harcourt).

experts panel comments

Saipem's local contents strategy in West Africa seems to be truly successful. According to its 2010 Sustainability Report, Saipem lies ahead of Nigeria's Local Content Development legislation that require companies operating in the oil and gas sector to privilege local employees and subcontractors in recruitment and tendering processes. Saipem's strategy to proactively integrate local communities in its projects enables the building of sustainable relations with local stakeholders. It lays a clear framework to its interactions with local communities,

for instance via the implementation of MoUs. Saipem develops local infrastructure that benefits the communities affected by business operations; it raises awareness of important issues that affect the local population; it trains trade union leadership to enhance relations between the group and local staff. The success of Saipem's pro-active local content business model is illustrated by the award for Excellence of Nigerian Content at the Nigeria Gas and Oil exhibition 2010.

Arthur Minsat



Riccardo Manciola - The colours of Saipem

Some pillars are deemed necessary in community relations: honesty, confidence building, clear definition of goals and readiness to give prompt attention to issues raised by the people of their community. I consider them the basic ingredients that are crucial for a smooth and cordial relationship with the communities.

In any area where we operate, we ensure the negotiation and execution of a Memorandum of Understanding (MoU) that defines the obligations of both the communities and our company. Issues usually covered by the MoU (depending on the magnitude of the project) include employment, subcontracting

opportunities, training, etc.

While we strive to ensure a consistent approach with all host communities, we recognise that a feasible approach in one community may not necessarily work in another community. Therefore, as the state, the communities and even the clients are not the same, the transactions may differ. Also, the impact of our activities on the communities varies. All these variables go along with the definition of a strategy to be adopted in reaching an agreement for each case. The MoU with Rumuolumeni community was reviewed in 2010, according to the agreement of reviewing it every four years.

The biggest impact Saipem has on the communities is manpower development, in terms of training and know-how development. For example, when we reached the Irri community in Isoko Delta State to build a flow station, it was clear it was in a critical situation before our arrival. People were therefore quite hostile. However, even though we ended our work more than three years ago, approximately 15-20 Irri people are still working with us today.

Similarly, the workers who are part of our construction team come from Ogbaland: these are people we employed while working there and they are still with us. This happens also in Kwale, Onne, and so on, we always take workers along with us. Saipem has also embarked on training and retaining our workers, giving much prominence to the training of the community youth. Development of skills is now a major pillar of Saipem's strategy and the beneficiaries are local young people. It is certain that whatever we do, we are still subject to government rules and regulations; we therefore maintain a constructive relationship with government in all the states where we operate through the ministry charged with the management of community matters and employment generation. In Rivers State, we deal with the Ministry of Local Government Chieftaincy and Community Affairs and the Ministry of Youths and Employment Generation; in Bayelsa State, we deal with the Ministry of Peace, Conflict Resolution and Employment Generation.

OML 58 and the Communities

A case of interest is the OML 58 Upgrade, a very interesting project both in terms of operations and community relationships. There are essentially 8 communities that are affected by the project, namely: Ogbogu, Obite, Obagi, Akabuka, Oboburu, Obiyebe, Ede, and Egita. Saipem is executing the works in collaboration with two other companies, Ponticelli Nigeria Ltd and Desicon Engineering Ltd. Like

most communities in the Niger Delta area, we have to contend with various interest groups beginning with the affected communities' youth association, the affected Oil and Gas Landlords Association and the Egi Youths Federation. In addition to all these associations, we are also talking with the umbrella organisation covering the entire Egi Clan known as the Egi People's Forum. Incidentally this group is made up of the elites in Egi land. Of course, we are also in touch with the traditional institution in Egi, the Eze Egi and his council.

The various interactions and engagement of these different interest groups resulted in the execution of a Memorandum of Understanding with the Egi Youth Federation, the Egi Oil and Gas Producing Families, the affected communities Youths of the OML 58 projects and the Egi Peoples Forum. Each of these agreements was negotiated with the representatives of the various groups to ensure that an acceptable agreement is reached. Today we are working peacefully on the projects with the parties keeping to their obligations under the agreement. To ensure a close monitoring of the implementation of the agreement, we put in place an Implementation Committee that meets every three months to evaluate the performance of the agreement itself. So far it has been successful.

An overview of Saipem in Nigeria

In Nigeria, over the past 40 years, Saipem has been committed to developing and adding value to the Nigerian economy through its operations in the onshore and offshore oil and gas business. Saipem Nigeria Ltd (SNL) was the first Saipem Nigerian Subsidiary, operating in the country since the mid-60's as an Onshore and Offshore Drilling Contractor. Saipem Contracting Nigeria Ltd (SCNL) is nowadays the main operating Saipem Nigerian Subsidiary Company, principally operating as Engineering, Procurement,

and Construction (EPC) contractor for the execution of turn-key projects including oil, gas and water pipelines, oil, gas, and industrial plants, infrastructures, fabrication of offshore structures and maintenance services.

In 2010, SCNL managed 4,770 employees, with a total of 830 expatriates (10%) and 4,243 locals (90%), totalling 19,398,535 man hours worked.

Saipem's main operational base in Nigeria is the Rumuolumeni Base which is located near Port Harcourt, with a total area of 800,000 m² and a fabrication workshop of 30,000 m². In the last few years, the Nigerian National Petroleum Corp (NNPC) has been boosting international companies to increase their capabilities to add or create value in Nigeria's economy by utilising Nigerian human and material resources for the provision of goods and services. The country understood that local content

target for international companies is a new tool to be part of the business and increase its capabilities in different sectors.

The results achieved by our company rewarded Saipem's efforts to integrate its activities in the country. In fact, Saipem's strategy has always been based on the 'willingness to stay', with a strong commitment to creating added value to Nigerian economy and society. Saipem in Nigeria has been working on the promotion and development of local content by creating long-term investments and partnerships with local companies, as well as maximising project value, local employment and procurement activities carried out in the country.

Since 2005, SCNL has a Quality Assurance management system certified according to ISO 9001. Since 2008 the company has also certified also its Environmental Management System according to the ISO 14001 standard and its Occupational



Agostino Napolitano - Bush

NIGERIA

Saipem Receives 'Excellence in Nigerian Content'



Saipem received an award for Excellence in Nigerian Content at the Nigeria Oil and Gas (NOG) Conference and exhibition of the February 2010 in Abuja, the foremost event in Nigeria's Oil & Gas industry. These prestigious awards acknowledges the companies and projects that have made an outstanding contribution to the oil & gas industry and Nigerian Content implementation. These awards are open to all companies involved in oil & gas activities in Nigeria. There were over one hundred and sixty (160) companies who exhibited and Saipem was honoured to be acknowledged for excellence in Nigerian Content. Some of the exhibitors were Chevron Nigeria, Brass LNG, Capital oil and gas, Total Nigeria, Shell Exploration and Production Co, ExxonMobil and NNPC among others. Senior Associate of CWC Group, Mr. Eithne Treanor, stated that the

Nigerian content category of the award has been duly evaluated by the key stakeholders in the Oil & Gas sector and lauded the impressive work done by Saipem in the development of Nigerian Content describing the award as well deserved for its efforts.



He made the remark at a gala night organised by NNPC for the 10th anniversary of the NOG conference and in recognition of companies that had done well in the sector over the years.

Eithne said that Saipem, as a company which has been in Nigeria since 43 years, has done so much in developing infrastructure, training of Nigerians, and encouraging participation of indigenous companies as well as excellent community relations.

SCNL Managing Director, Mr. Surace Giuseppe, expressed gratitude to all who have contributed to the success of Saipem in Nigeria, stating that this award is a challenge to do more within the industry.

Health and Safety Management System according to the OHSAS 18001 standard.

Sustainability in action for human development

In 2010, with a view to developing human capital at local level, SCNL trained 44 members of the host community on welding and pipe fitting, totalling 28,936 training hours. They were trained to become certified welders. SCNL is also dedicated to training their managers to be leaders in safety, thus implementing the Leadership in Health and Safety program: 341 employees were trained last year, with a total of 22 sessions and an average of 264 hours. Besides the above mentioned initiatives, Saipem Nigeria held a leadership orientation training workshop addressed to Labour Union leaders within its system. The purpose of the leadership orientation program was to bring the union representatives up to date on the latest best practices in Labour Relations to enable them work more efficiently as leaders, which will ultimately create a good industrial environment both for the company and its workforce, necessary to achieve optimal performance goals. A group

of 65 Saipem Nigeria's union members, coming from branches and unit levels, and representing various operational sites such as OB/OB, Nembe, Gbaran, Ebocha, Onne and New Base attended this workshop. The facilitators – drawn from Nigerian universities, the Federal Ministry of Labour, organised Labour and seasoned Industrial Relations practitioners on Labour matters – addressed several issues, such as: the act of Letter writing, practical approach to human management, dispute resolution, grievance procedure, collective bargaining, conduction of meeting, ethics and parliamentary procedures, and the Industrial Relations Policy of Saipem Contracting Nigeria Ltd (SCNL). In the last year, SCNL contributed to build some infrastructures in a secondary school in Rumuolumeni to allow students to learn within an environment that is conducive to growth, and assisted post-secondary/pre-university members of their community by granting a scholarship. Not less than 20 persons benefit from this project annually: this initiative encouraged students to study hard to have the chance to be beneficiaries of this project.

Environmental Protection

SCNL started the year 2010 with hosting some key stakeholders such as the Federal Ministry of Environment (FMENV) and the National Environmental Standards and Regulations Enforcement Agency (NESREA). The outcome of these engagements not only strengthened SCNL's relationship with the agency but also resulted in the compilation of its Integrated Environmental Plan, which ensured the environmental compliance monitoring actions of the company. SCNL also received by the FMENV a letter of commendation for the Company's environmental best practices and good housekeeping measures. Also, in 2010, there was organised in an Oil Spill Environmental Campaign where the issue of Oil Spill Prevention was discussed and began to cascade throughout the workforce operating in projects and business units in Nigeria. Such awareness campaign was promoted through an exhibition of posters, many training sessions, a staging of oil spill emergency drills, as well as by dealing with presentation of campaign issues during toolbox talks.

Building the Future Leading Edge Technology the Jumbo Workshop

In response to the growing need for fabrication in Nigeria, Saipem recently upgraded its facilities at Rumuolumeni Base by commissioning an additional workshop for pipe-in-pipe structure fabrication: popularly called Jumbo Workshop, it is used to fabricate the Pipe in Pipe Quad joints for Usan UFR & OLT Project and Bonga Project. The Jumbo Workshop, created in addition to the existing facilities, provides extra covered space with its 64 metres two-bay width, 230 metres in length, and 17 metres hook height – a real giant, equipped with 240-tonne total lifting capacity divided among 12/20-tonne bridge cranes. This huge shed would house the manufacturing of dozens of USAN components and, at the same time, the ones of PIP ('pipe in pipe') lined pipes, thus allowing personnel to work without being affected by seasonal rains that characterise this region. An extensive plan was implemented for the revision of welding processes and

the equipment overhaul, with automated and semi-automated continuous wire systems being preferred. Investments were made with a view to the development of coupling and welding systems – both on horizontal and vertical axes – for ferrule elements with diameters up to eight metres. All ferrule handling methods inside the Jumbo Workshop were reviewed to make sure that handling could be performed without the use of scaffolding and particular attention was paid to their compliance with safety standards. Nigerian staff has been trained on the use of the new machines and the new fabrication techniques. In the area of non-destructive testing, SCNL worked to obtain certification for the use of the Phased Array UT ultrasound monitoring system, as part of the manufacturing process, thus saving up to 70% in terms of man hours compared to manual checks. A next-generation pipe in pipe manufacturing line, with a capacity of about 500 metres per day, was installed in one of the Jumbo Workshop's bays. The creation of these new covered

and uncovered areas, including the new offices, allowed gathering all the installation personnel in the yard, which resulted in an improved interaction between Project Construction and Installation, cost reductions, and an effective execution of the overall Project. The Jumbo Workshop has brought the covered working area of the yard to 40,000 m². This investment strengthens Saipem's commitment to Nigerian Content development innovative, state-of-the-art technologies that ensures quality, safety and efficiency in all its operations.

Saipem - A Mentor to Local Companies

As part of the local content strategy, and in response to the Federal Government's call to develop indigenous capacity, Saipem's management embarked on a mission to mentor local companies to reach world class status. Some of these companies are Desicon, Allied Dominion Oil Shipping Services (ADOSS) and Mudiame. The relationship between Saipem and Desicon started in 1999 with Desicon operating in



Agostino Napolitano - Jumbo

community relations. Nowadays Desicon owns a yard as well as an electrical and instrumental company.

Saipem Chief Operating Officer (COO) - Onshore Business Unit, Mr. Pietro Varone, congratulated with Desicon's management for the good results, saying that they represent the best evidence that Saipem's mentoring vision has produced tangible results.

The relationship between SCNL and Mudiame started in late 2004 as a result of the absence of a metallurgical/welding laboratory for welds inspection and failure analysis purposes in Nigeria. Before this time, all welding processes requiring mechanical property examinations were usually being sent to Italy, with a consequent increase in logistics and test costs. Possible delays associated to sending test abroad and retesting, could cause an increase in costs as well. There was a real need to identify a serious local laboratory, support the development of its Quality Management Systems in compliance with international requirements, to meet Saipem's testing needs and requirements. With all the benefits of reducing costs of testing, developing local capability and optimising welding operations, by eliminating any delays associated with sending test coupons abroad, Mudiame has now fully set up a mechanical testing laboratory and its personnel has been trained by the National

Metallurgical Development.

Therefore, the relationship between Saipem Contracting Nigeria Ltd and these companies has entered a new phase, where Saipem Nigeria expects these local companies to grow and become potential competitors.

Engaging key subcontractors for a common success

On December 15, 2010, SCNL HSE Dept. held the second annual HSE forum with most of subcontractors engaged in SCNL operational sites. 58 people attended the event, on behalf of the 35 subcontractor companies working for Saipem and invited to the event.

The opening speech was held by the Onshore Operational Manager and SCNL HSE Manager.

During this forum, the SCNL HSE staff encouraged subcontractor managers to ensure their compliance with all SCNL HSE procedures, in order to build together a safer work environment, thus achieving also Saipem's HSE vision.

Specific sections were dedicated to the LiHS program, with program dissemination and cascading process, including vision of the video, providing subcontractors with a highly interactive and enjoyable experience, by sharing the company's values through personal, emotional commitment from participants.

A 'Best in Class' Local Engineering Centre

The Technical Services Department (TSD) provides complete quality Engineering services capable of satisfying the most stringent requirements of Saipem's clients, thanks to a strong commitment to improving and using the best technical skills and highly-qualified technical people.

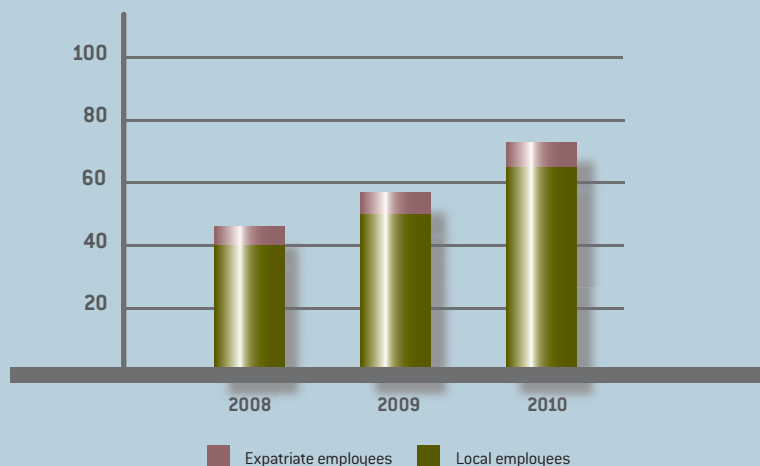
The department is a reference point to turn engineering concepts into reality in the Nigeria's Oil and Gas Industry, while the company is a first class engineering company in Nigeria in terms of local content.

At the present time 8 expatriates and 65 locals (of whom 98% are graduate engineers from Nigerian Universities) are currently employed by this department, generating approximately 130,000 engineering man hours per year, extensible to around 300,000, considering the possibility to externalise part of the activities to local engineering partners in Port Harcourt, Lagos and also Abuja. High-level and skilled manpower is a key factor for TSD that is particularly focused on sharing the most updated knowledge and experience permanent network, based on a dedicated 'technical expertise knowledge transferring' through staff expatriates assigned to SCNL-TSD for training and project execution.

To be more effective and add value to the training activities, SCNL-TSD adopts the following strategy:

- identification of milestone development goals to be achieved, at least on key issues like Process, Piping, Electrical, E&I, Mechanical & Civil/Structural Engineering;
- effective training programs to identify and achieve target positions, in conjunction with relevant SCNL HR and Training depts. SCNL-TSD gives the possibility to some talented Nigerian engineers to be part of a worldwide multicultural company, with a high-potential career growth within the country and abroad.

Technical Services Department Workforce



Peru



By **George Vicuna**,
Petrex Human Resources
and ICT Manager

Saipem in Peru: A story of sustainability talent

In 1992, when I joined Petrex, the term 'sustainability' was very uncommon among Peruvian companies. At that time, only the term 'sustainable development' was known, but was almost entirely related to the public sector and some private development organisations. Subsequently, the Peruvian labour law requires companies with more than one hundred employees to have a social worker supporting their social welfare and families. This was the first step toward a broader vision of the company in relation to social and labour aspects. Moreover, at that time, prevention of occupational accidents roused special interest in our business management. I joined Petrex HSE Department and our main concern was to ensure accident prevention to have safe places of work for our collaborators, as it is now. This

situation led us to go one step further and we began being concerned about prevention of occupational diseases as well. Under this condition, the Occupational Health Unit started to work.

In 1999, Saipem acquired 100% of the shares owned by Petrex and, in terms of sustainability, this action brought a new practice that allowed us to see the interrelationship between economic, social and environmental aspects: the HSE reports, that facilitated also the comparison of our performances with corporate standards.

The last ten years brought a major boost to the consolidation of these topics. Petrex began to recruit talented young people who contributed with their professionalism and new ideas to health, safety and environment units. Environmental management was particularly boosted, as the concern of our clients to minimise their impacts on the environment started to become clear and we, as contractors, began introducing environmental controls.

In order to progress with these topics and recognise their interrelation with each other

PERU



Saipem Presence since:	1983
Personnel in the Country:	1,508, of which 96.7% are locals
Most relevant projects:	The Group has seven drill rigs and twelve workover and pulling rigs and also operates five workover and pulling rigs owned by third-parties. An eighth rig was mobilised to Ecuador after having concluded operations in Peru. The drill rigs drilled a total of twenty-eight wells for Perenco, Pluspetrol, Interoil, Sapet, Talisman and Petrobras, while a total of almost one thousand two hundred workover and pulling operations were carried out for Pluspetrol, Petrobras, Savia SA (formerly 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.

experts panel comments

Nutrition awareness is a good initiative. HSE training is generally focused on occupational health and safety at work; this initiative of the Sustainability team provides linkages with some relevant issues involving local communities. This initiative could be incentivised and implemented at a greater scale to include a better management of additional issues such as: family income, drugs/alcohol, children education.

'Entrepreneurial promotion initiatives' make sense and should target sectors with higher sustainable markets that are directly linked with daily needs and activities of the project. Indeed, it could be more focused on activities related to local and regional

transport, light maintenance and building repairs, supplies/ agro processing... The role of contractors on the project and especially the Food and Facilities Management project is a good leverage to be used and included in that program.

Petrex Drilling School is a relevant example of capacity building and development of new activities that represent a long lasting potential in Peru.

A cluster approach aiming the development of a pool of local drilling contractors and involving other partners from Oil and Mining industries could lead to high impacts in Peru.

Cyrille Putz



Petrex Operations in the forest

and with the operation, the sustainability principles provided by Saipem were implemented and the term 'sustainability' incorporated to our business management. These actions coincided with the concern of our clients to promote sustainable development in their areas of influence and in their value chain.

The sustainability concept began to take shape in our Company and in 2005 we adopted a new corporate initiative: the Sustainability Talent Program, through which an effective relationship between Petrex and its stakeholders (mainly the employees and their families, suppliers, clients and local communities) began to be implemented.

In 2006 after several years of absence, Union organisations reappeared in Peru. According to our sustainable management's strategy a permanent dialogue with their representatives.

In Petrex, sustainability is not an isolated factor influencing entrepreneurial behaviour, as it has become one of the key factors, contributing to the company's competitiveness and strengthening its presence in new markets.

Sustainability in Peru

In 2010, the Sustainability Talent Program in Peru has reinforced its key elements: preventive health awareness, promotion of educational topics and entrepreneurial skills, and environmental awareness. These initiatives are mainly addressed to Petrex main stakeholders, the employees and their families.

On **health prevention**, there have been two main lines of action: first-aid and nutrition. First aid workshops are already considered a recurrent activity in favour of Petrex employees' families; these workshops were carried out in Iquitos (44 attendees) and Talara (49 attendees) and complemented with training on application of injectables. After these activities, the participants were ready to react in case of emergency, before the arrival of medical personnel. The other line of activities was based on nutrition workshops. This new initiative responds to the high rates of child malnutrition in Iquitos. Our employees and their partners (46 people) participated in these workshops that focused on nutritive recipes, the use of local products and household income saving.

On **education**, an English course was organised in Talara. The teachers used interactive techniques to let 35 employees' children get close to this language. In Petrex, English is considered language as a key tool that will be useful for people's academic and working future. This course was so successful that a very high demand for a second edition was recorded. Therefore, a second course with a group of 35 new children was provided and completed around the end of the year. Once the sessions ended and children passed their final examinations, a closing ceremony was celebrated where all the participants received their certificates.

Moreover, computer workshops were carried out for Petrex employees. In this case, 43 maintenance employees of Talara Base participated in a basic computer course, that allowed them to learn an additional tool for their labour.

The **entrepreneurial promotion initiatives** resulted in two types of activities. On the one hand, the handicrafts and confection workshops, which were carried out in Iquitos (confection, 25 attendees) and in Talara (embroidery, 50 attendees). This

kind of activities usually have a direct impact on the household economy, since the participants sell what they create and, on some occasions, group together and form small businesses, especially on holidays such as Christmas.

On the other hand, the 'Entrepreneurs for the future' workshops reached 20 employees' teenage children of Iquitos and consolidated as an iconic activity of entrepreneurial promotion. Children participated in weekly workshops for eight weeks, where they learned the basics of business and, by the end of the sessions, were able to prepare a business plan. These business plans were reviewed and the best of them were selected to receive prizes that stimulate teenagers to continue maturing their business initiatives.

2010 has been declared the year of biological diversity by the United Nations. Peru is considered a country with

important biological diversity, therefore Petrex focused its environmental campaigns on the conservation of local species of flora and fauna.

This campaign was named 'Connecting with nature' and it began with the identification of the most emblematic species living in Iquitos and Talara regions. The species were selected by the employees, who are mainly local inhabitants. Petrex worked with local institutions dedicated to nature preservation: in Talara with the NGO Ecological and Environmental Group, and in Iquitos with the Institute of Researching of the Peruvian Amazonia, a research centre funded by the State.

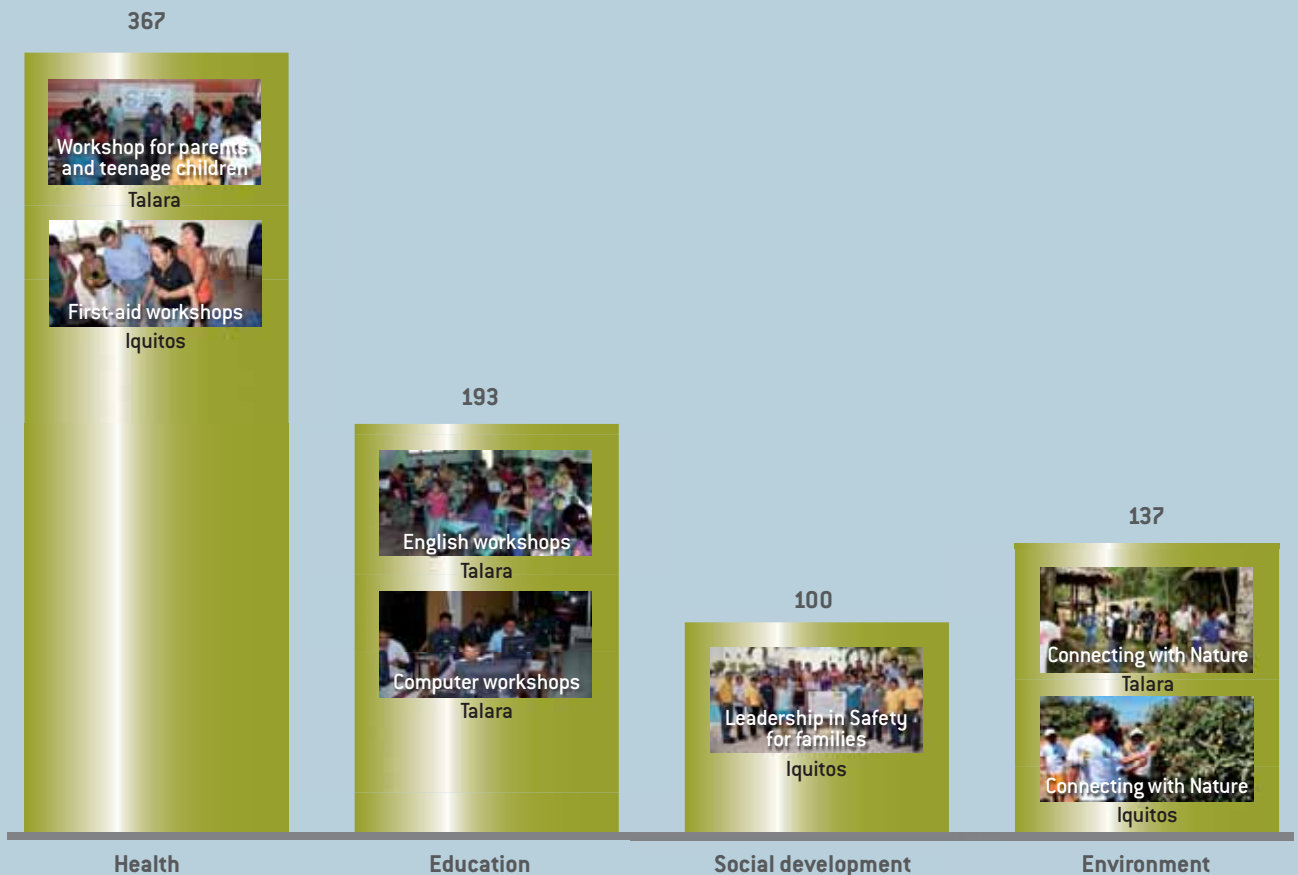
Different species were identified for each region: in Talara, the Peruvian plant cutter – a bird endemic of Talara's dry forest –

and the species found in the dry forest, especially the carob tree, which is highly endangered due to economic activities in the area, primarily because of the use of trees for firewood.

Iquitos is located in the heart of the Amazonian Rainforest; therefore selecting a particular species was a hard job. Finally, two fauna and two flora species were selected: the taricaya turtle which is an endemic species of the rainforest and is endangered by the over-exploitation of the rivers; the other species was the manatee, a river mammal which is also hunted because of its fat and flesh, and sometimes is kept as a river pet.

In the case of flora, two species were selected due to their importance for the region: the cedar, a source of wood for trading which requires a rational

Beneficiaries of the Sustainability Talent Program 2010





Alberto Llain - My family

exploitation in order to let new trees grow up in the forest, and the aguaje, a fruit tree whose fruits are a very important ingredient in local cuisine, which requires an adequate management inside the forest.

Employees' children participated in workshops dedicated to these species and then visited the sites where these plants and animals live or are studied. In Talara, 37 children visited the dry forest reservation, and in Iquitos 100 children (on two different dates) went to the Quistococha Research Centre, where they re-nested taricaya turtle's eggs, feeded baby manatees in captivity and planted young cedars for reforestation.

The activities of the Sustainability Talent Program have become a tool for extending the company's values to the families and sharing Petrex interests with them. The concern for the future

of the regions where Petrex operates is embodied in these activities focused on the development of skills for preserving health, having better academic and working performances and preserving natural resources as an important source of this country's wealth. In 2011, these activities will be continued to reach more population, thus expanding these values.

Petrex, a drilling school

The regions where Petrex operation sites are located lack in specialised education services for the majority of the population. Therefore, most people in working age can aspire only to unskilled job positions, which means low incomes and high risk of poverty. Petrex is a labour intensive company and, since 1983, it has created jobs and upgrowth opportunities for local people, by hiring individuals with high potentials and training them on the job, thus becoming a

'drilling school'.

Some of these local workers were hired as roustabouts (the starting position in oil-drilling activities) and – thanks to their dedication to the job, their will to overcome difficult situations and their good attitude towards the advices of their superiors – they have climbed positions and now are leaders of the company's operations.

With the expansion of Petrex operations to other countries in South America, such as Bolivia, Colombia, Ecuador and Venezuela, some of the people who have made their careers in Petrex now occupy high responsibility positions in these operations and train new local talents for the industry.

The workers who have made their careers in Petrex have found a way for upgrowing themselves; they gained a position which is respected and now are capable of

providing a better quality of life to their families and more opportunities to their children.

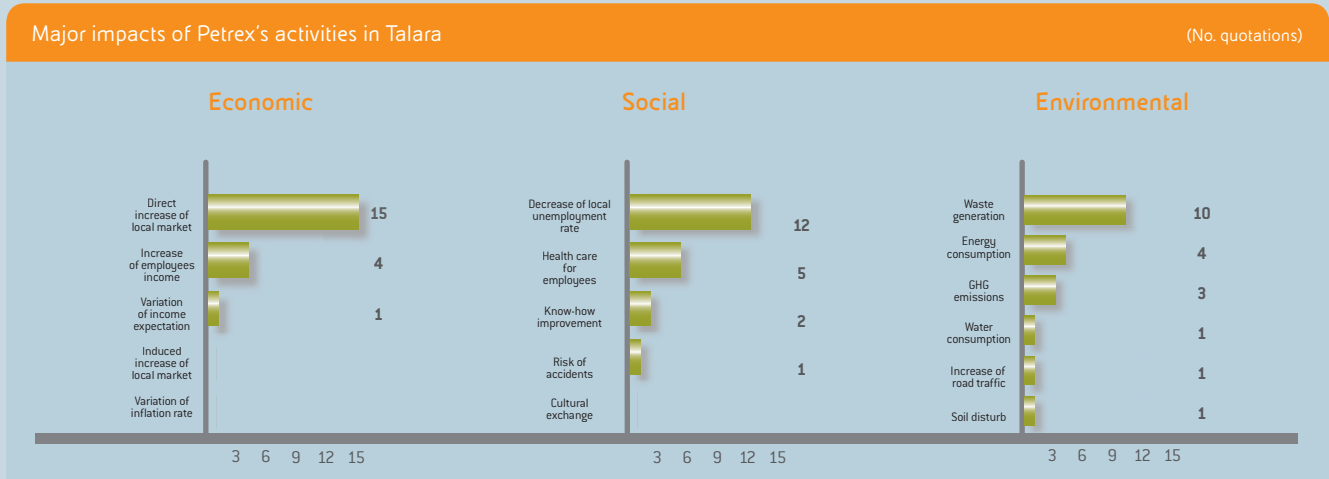
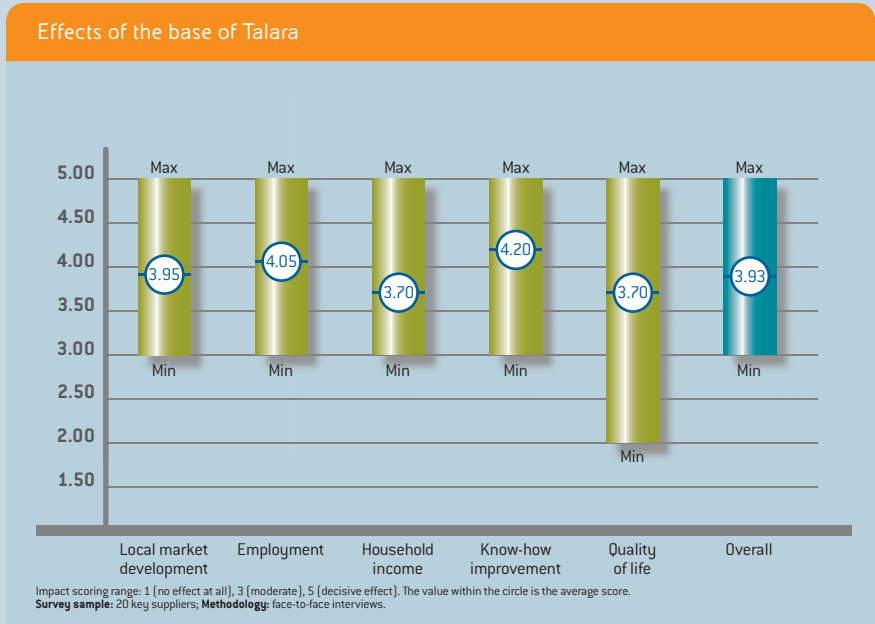
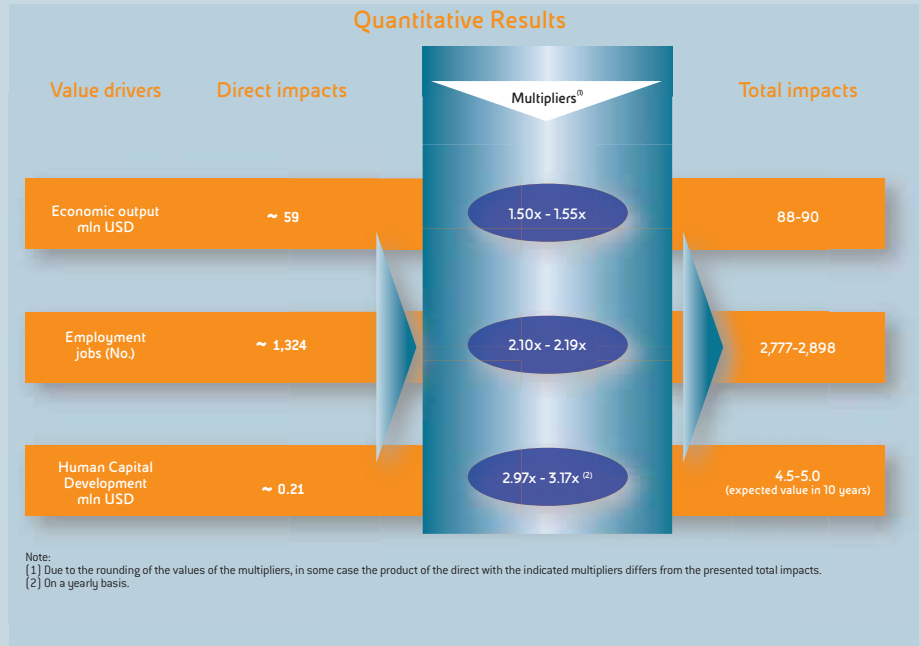
Showing Sustainable Value of Saipem's Local Content strategy in Peru

Using the same methodology applied for Angola (see the Angola Factsheet), Saipem has quantified the positive effects of Petrex operations in Peru, including activities in Talara, Iquitos and Lima. Reference year has been 2009.

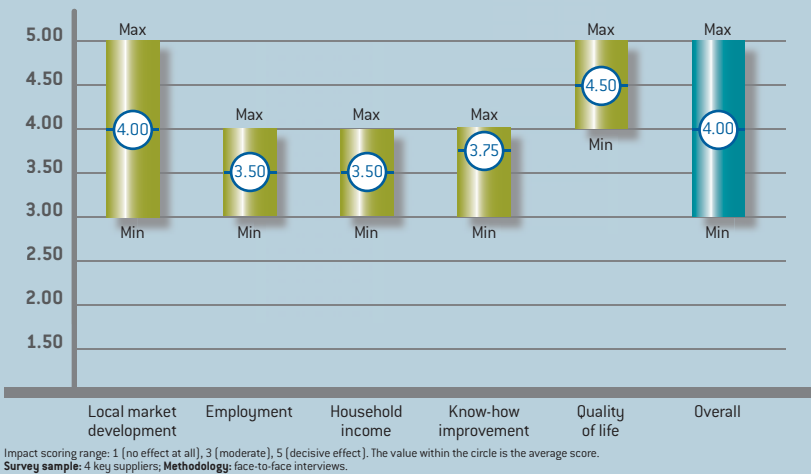
Qualitative Results

A stakeholders' survey was likewise conducted to collect qualitative information. In total 20 key suppliers in the province of Talara and 4 key suppliers in the province of Iquitos were interviewed face to face. The survey was conducted in two parts. In the first part, the stakeholders were asked to rank from 1 (no effect) to 5 (decisive effect) the positive effects of the Saipem Group on some selected topics, including: overall impact, local market development, employment, household income, know-how improvement/Skills enhancement and quality of life.

In the second part of the survey, stakeholders were asked to identify the major economic, social and environmental positive effects from a list of impacts selected by Saipem.



Effect of the operating office of Iquitos



Direct increase of local market, decrease of local unemployment rate and waste generation are selected by stakeholders as the most relevant categories of positive effects in Talara.

The potential for jobs creation in the Province of Talara could be still improved by:

- developing industrial capabilities in the area;
- developing commercial and tertiary sector within the Province.

The most important positive effects of Petrex operations in Iquitos are the direct increase of local market and the decrease of local unemployment rate.

The high standards required by Petrex's activities contributes to an improvement of the standards of products and services supplied by the local businesses.

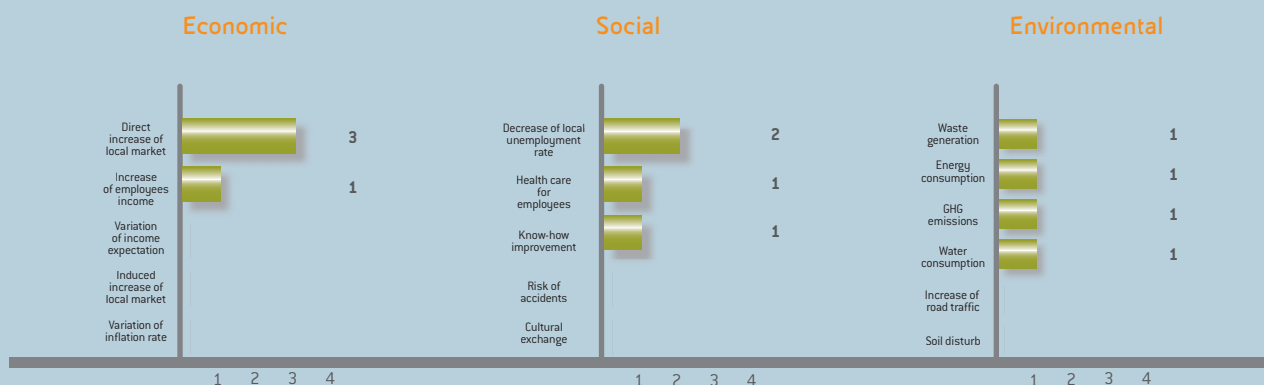
Through its activities Petrex contributes to a general know-how transfer to its employees and to suppliers' employees.



Saipem's employees in Peru

Major impacts of Petrex's activities in Iquitos

(No. quotations)



Saudi Arabia

By **Daniele Menna**,
Human Resources, Organisation and ICT Coordinator
for Middle East Countries, India, Pakistan

Since its establishment in 1932, the Kingdom of Saudi Arabia has grown from an agriculture-based country dependent on farming and commerce, especially date export, to an increasingly modern and sophisticated state.

The discovery of commercial quantities of oil in 1938 laid the foundations for such development. Since 1970, together with other major oil producers, the structure of this oil business has been formalised into five-year development plans, which have been spanning all decades with projects focused on different targets, primarily basic infrastructure services.

The economic benefits from oil production were then channelled into improving people's skills and capabilities, hence, their standard of living.

One of the elements of such improvement, as well as the core of the sixth plan developed in the 90's, is the process called Saudisation: the national policy to encourage training and employment of Saudi nationals in the private sector in skilled professional positions.

In this scenario, the Saudi Arabia's national oil company, Saudi Aramco, is a fully integrated petroleum company with operations in exploration and production, refining and marketing, and petrochemical manufacturing. It ranks first among oil companies worldwide in terms of petroleum production and exports. Saudi Aramco is clearly a key part of the national development strategy, and is actively encouraging Saudisation of its contractors' manpower.

SAUDI ARABIA



Saipem Present since:	mid 1960s
Personnel in the Country:	3,174, of which about 90.7% locals
Projects Ongoing:	<p>The jack-up Perro Negro 5 and Perro Negro 7 continued operations for Saudi Aramco.</p> <p>7 rigs operated onshore for Saudi Aramco and one for South Rüb Al-Khali Co Ltd.</p> <p>Under the Long Term Agreement with Saudi Aramco for the engineering, procurement, fabrication, transport and installation of structures, platforms and pipelines, construction works on platforms are being completed. The year also saw the installation of a number of pipelines, flowlines and a part of the platforms.</p> <p>Activities were completed on the Khurais Crude Facilities project for the construction of a gas-oil separation plant (GOSP) as part of the development of the Khurais oil field in Saudi Arabia, situated approximately 180 km northeast of Riyadh.</p> <p>Activities were completed on the Khurais Utilities and WIPS project, which forms part of the programme for the development of the Khurais complex, and on the Qurayyah Seawater Treatment Plant project, which comprised the expansion of the plant and injection of seawater into the oil fields to support oil production operations.</p> <p>Construction activities started on the EPC Manifa Field contract for the construction of gas/oil separation trains at the Manifa Field in Saudi Arabia.</p>
Main sites of long-term presence:	Saudi Arabian Saipem Ltd and Snamprogetti Saudi Arabia Co Ltd Llc, based at Al-Khobar. The Company has also Yard, Head Offices and Logistic Base in Dammam.

Since 1976, Saipem has been operating in Saudi Arabia in the framework of construction projects, petrochemical and infrastructure sectors, as well as Onshore and Offshore Drilling. The two operating companies in the country are Saudi Arabian Saipem Co Ltd (SAS) and Snamprogetti Saudi Arabia Ltd Co (SPSA). Saudi Arabian Saipem is active in construction works related to oil, gas and petrochemical facilities, oil and gas well drilling, onshore/offshore industrial works and water systems.

Since 1981, Snamprogetti Saudi Arabia has been operating in the Kingdom of Saudi Arabia, in contracting and managing of projects and works related to installation, expansion and maintenance of petrochemical facilities, railways, power projects, chemical fertilisers, power plants, water desalination, water treatment, oil and gas pipelines, and water pipes, in addition to drilling services in the oil and gas fields, construction and operations. Over the last years, Snamprogetti Saudi Arabia performed many of Saudi Aramco's

MEGA projects, such as Khurais Central Processing Facility, GOSPs (KCC), Khurais Water Injection Facilities and Utilities (KUC), Khursaniyah Oil Producing Facilities & Utilities (KPF), Hawiyah Gas Treating and Compression Facilities. It is currently constructing Manifa Core Hydrocarbon.

Wherever Saipem operates, it is committed to dealing with improving local environment: its clients, partners and the wider community. Saudi Arabia is no different, and Saudi Aramco's policy clearly encourages us.

In order to meet this commitment, Saipem's Sustainability Policy is adjusted for and implemented in our specific areas of operation.

The so-called 'STAR yard' is the first Saudi-based offshore facility fabrication yard and is the centrepiece of the new long-term agreement (LTA) contract awarded to a consortium between Snamprogetti Saudi Arabia Ltd and Saipem, TAQA, Al-Rushaid Fabrications Co Ltd (STAR).

Through this new project Saudi Aramco aims to build an in-Kingdom, full-service fabrication yard and offshore support base capable of constructing an increasing number of offshore well platforms and pipelines. The STAR facility, covering 300,000 square metres and fabricating 14,000 metric tons of structural steel per year, will directly employ about 900 workers, thus presenting significant opportunities for local employment and local business.

The company's commitment to full integration in a local context begins with involving local workers.

Saipem in Saudi Arabia employs around 500 Saudi nationals in all its operations, accounting for 23% of the total workforce. To maintain the high level of competence required in the company's field operations, adequate training in various areas is needed. Saipem's Training and Development Departments ensure the training of locals in different areas and monitor their development to upgrade them to Saipem Professional Role skill levels.

Concerning our onshore operations, also in line with the more general Saipem Group Policy of Local content maximisation, we are implementing a Saudisation methodology to be in compliance with local requirements.

Such methodology is based on the recruitment of young Saudis in the Major Schools and Universities of the Kingdom of Saudi Arabia, preferably in the Eastern province.

Talented Saudi brains are indeed hunted for their skills, helped to operate at an optimum level and integrated to the IK - EPC Contractor.

The initial phase of this process focuses on assessing their qualification, skills and experience. Those who have some experience are trained for a short period and inducted into their respective disciplines, while those who have no experience get adequate training to have then disciplines assigned.

This way, young Saudis become a strong asset for the Kingdom and its development.

The idea of a Dedicated Training centre

for locals at Khurais GOSP Project site has been the result of the demand for trained personnel on the Projects and the lack of professional training centres in the area. Activities and courses at the centre are divided according to specific sectors (Crane Operators, Welders, Steel Carpenters and Pipe fitters) and, at the present time, twenty Crane Operators and thirty Welders are on training.

Saipem is adopting the policy of hire train and developing local workforce also in our drilling operations. Most of skilled local workforce are hired as roustabouts and transition, in due course, into Tool Pusher Driller, Assistant Driller and Training Manager roles. Today, 35% of direct drilling positions are covered by locals.

Due to an increasing market demand for skilled local manpower, our company is working hard to motivate and retain qualified resources through training and development. As a consequence, we are also reviewing retention policies to be adapted so as to overcome the present scenario.

SAUDI ARABIA

My Career Path Development within Saipem Hussain Al Salman - Mechanical Engineer

After having graduated with a Bachelor degree in Applied Mechanical Engineering from King Fahd University of Petroleum & Minerals in May 2003, I joined Snamprogetti Saudi Arabia.

During my first year in the company I was assigned to Snamprogetti Technical Department as a project engineer, reporting to the operation manager and supporting construction activities. My main tasks were related to man hours and equipment estimation methods, preparation of technical specifications, definition of scope of work details and special conditions for bidding.

After this period in Dammam, I shifted to the construction sites of Qurrayyah Sea Water Desalination Plant Expansion (QSWP) and Khurais Water Injection Facilities and Utilities (KUC). As soon as I joined Saipem's team on site, I was involved completely in construction activities, such as supervision and expediting of the piping hydrotesting.

I was also involved in preparing site queries related to mismatching of drawings and recommending modifications in pipe route and

pipe supports. My Saudi nationality helped me approach Aramco's representatives to deal with technical issues.

This positive and practical experience gave me the possibility to get an overall understanding of the main construction activities at site and an overview of the plant engineering layout of a mega Project.

Since June 2009, I have been working in Saipem's engineering office as a static equipment engineer. I attended an internal training to gain the required skills and theory related to static equipment. It is worth mentioning that this first period was also helpful to understand the usual engineering workflow and examine internal procedures and standards.

After this experience, I was involved in undertaking the review and follow-up of the engineering drawings pertaining to storage tanks and pressure vessels of Manifa Central Processing Facilities Project, as well as interfacing with Vendors, commenting their detailed engineering drawings, and meeting with Aramco for drawing approval and coordination with other Saipem Technical centres for sharing technical inputs. I have been recently involved in some proposals (plants and pipelines) with regard to static equipment pre-engineering.



*Saipem owns
a fleet of vessels
and technical
equipment that,
thanks to a balanced
mix of high reliability
and top technologies,
stands as a key
element to manage
and improve
our sustainable
leadership in oil&gas
contracting services
sector*

a reliable fleet at the



forefront of technology

new cutting edge vessels and significant upgrading of operating vessels, continuous improvement of safety systems

The Group boasts a fleet of semi-submersible vessels equipped with state-of-the-art technologies, including the Saipem 7000, equipped with a dynamic positioning system, 14,000-tonnes lifting capacity and capability to lay subsea pipelines in ultra-deep waters using the J-lay system, which can handle a suspended load of up to 1,450 tonnes during pipelaying operations. Other vessels include the Castoro Sei, capable of laying large diameter subsea pipelines; the Field Development Ship (FDS), a special purpose vessel used in the development of deep-water fields, equipped with a dynamic positioning system, a 600-tonnes lifting capacity crane and a vertical pipelaying system capable of operating in water depths of up to 2,000 metres; and the Saipem 3000, capable of laying flexible pipelines and installing umbilicals and mooring systems in deep waters and installing subsea structures of up to 2,200 tonnes. Saipem also enjoys a strong position in the subsea market thanks to our offshore engineering/operations capabilities and highly sophisticated assets, including subsea ROVs (Remotely

Operated Vehicles), to carry out complex deep-water operations.

For the Caspian Sea, Saipem has developed a dedicated fleet (i.e. Castoro 12, TRB tenders and Ersai vessels) that, thanks to some advanced laying and trenching technologies, are capable to operate in low waters, high temperature ranges and harsh and difficult environments. A new post-trenching barge, the Castoro 16, has been starting operations during 2010.

Furthermore, Saipem's strengthening of its design expertise in the floating production sector and its ability to manage turnkey projects have enabled the Group to market itself successfully as an operator in the Leased FPSO sector, with a fleet comprising the FPSO Cidade de Vitoria and the FPSO Gimboa.

In relation to the offshore drilling activities, the main operating vessels are: the new ultra-deep water drillship Saipem 12000, which has been started operations in the second semester

saipem: facing complex challenges; learning from macondo



Saipem appears to be in good shape at present. And we're making a big bet on a better future. But there is absolutely no room for complacency.

There are constant reminders, both internal and external, that ours is a risky business. The Macondo incident in the Gulf of Mexico in April 2010 was a jarring episode for the entire industry. We have tried to understand Macondo from the perspective: 'Could this happen in Saipem, either in our Drilling activities or our other businesses?' We have to assume that it could. In 2008, an accident on board S7000 killed four people, and permanently maimed a fifth. There were many lessons from Macondo. An important specific lesson for instance is that in case of emergency, real or threatened, it must be absolutely clear who is in charge. An important general learning derives from our view that some people probably knew that risks were being taken. But from some reason they didn't or couldn't stop the work. When launching the 1st phase of the Leadership in Safety (LiS) program in 2007, our CEO Pietro Franco Tali said: 'Any one of you who thinks that something is unsafe, is authorised to 'STOP the work'. 'And if you have the courage to say 'STOP', said Tali, 'even if you are wrong, Saipem will not blame you, Saipem will thank you'. It was a strong message and the cultural change in Saipem since then, has been profound. Though not yet universally or continuously perhaps, we are surely getting safer. We now have less than 1 LTI every 2 million man-hours on average throughout the group. Not bad. Not good enough.

That 1st phase of LiS in 2007 was based on the premise that in a potentially unsafe situation, it was likely that someone present

would realise it. What he needed was courage, backed by the certainty that Saipem supported him. For a company striving for cultural change, it was a good place to start. But on its own, it's clearly not sufficient. A second important conclusion from Macondo, and other recent incidents in Saipem, is that increasingly people don't realise the danger, or appreciate its' full consequences. This is a question of Competence rather than of Culture.

Saipem continues to grow. We now employ more than 41,000 people, more than 120 nationalities operating in over 80 countries, tackling projects that are more complex and challenging than ever. The scope for preserving and enhancing Competence is vast; the potential for improvement is as compelling as the risk is sobering. Not co-incidentally, the new phase of LiHS (it now includes Health) is designed to at least partially address this question. The fourth phase of LiHS, is in its own way, as special as the initial phase. There's a new film 'What Comes First'. (Some say it's even better than the first, although the riveting 'The Safer, The Better' will always have a special place in Saipem history). LiHS phase 4 addresses 20 simple behaviours: some constructive, to be encouraged; others toxic, to be eliminated. Hopefully this, along with several training programmes throughout the group, will preserve what we now believe to be a deep-rooted Safety Culture within the group, while significantly improving our Competence to tackle the increasingly challenging projects ahead of us.

Hugh James O'Donnell
Managing Director for Business Support
and Transversal Activities (Deputy CEO)

of 2010 on behalf of Total Exploration & Production for the development of Block 17 in Angola; the new jack-up Perro Negro 8, which has been started operations on behalf on Eni in Italy; the Saipem 10000, a drillship capable of working at depths of up to 3,000 metres using its dynamic positioning system; the Scarabeo 7, a semi-submersible vessel capable of operating at depths of up to 1,500 metres and the Scarabeo 5, a fourth generation semi-submersible vessel, capable of working at depths of over 1,800 metres and drilling to a depth of 9,000 metres.

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

In the last few years Saipem has started a long-term plan of investments to enlarge its fleet with new offshore construction vessels, FPSO, onshore and offshore drilling rigs, some of them already in operation, and significantly upgrading the existing ones.

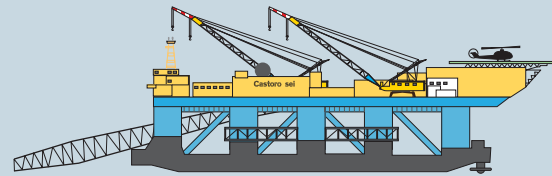
This willpower allows Saipem to increase the volume of its activities and face more and more challenging projects.

On the offshore construction segment, major activities in 2010 include the continuation of investment in the new pipelayer CastorOne, the new Saipem FDS 2 deepwater field development ship. A new FPSO is also under construction.

In particular, the pipelaying ship CastorOne has been designed to combine high pipelaying performances across a wide range of operating conditions: the vessel is equipped with dynamic positioning and designed for laying large diameter pipes in arctic conditions/deep waters (further details are available on Saipem's website and in the latest annual Sustainability Report).



Castoro sei



The Castoro sei provides a safe, reliable and stable operating platform capable of laying subsea pipelines up to 60 inches in diameter, with additional facilities for offshore construction works and flotel capability. Optional piggyback and dual-lay configurations ensure that the Castoro sei is capable of installing complex infield pipeline systems in addition to major trunkline systems. The Castoro sei has an extensive track record of sustained high productivity in both shallow and deep water conditions on major trunkline projects.

The semi-submersible hull construction with optional thruster assistance for enhanced position keeping enable operations to continue in adverse weather conditions.

The vessel is built in accordance with the rules of the Italian Marine Ministry and is classed A1 by the American Bureau of Shipping. The Castoro sei also holds a Letter of Compliance issued by the Norwegian Maritime Directorate.

The vessel has a twelve point mooring system to facilitate accurate positioning and movement during operations with a fully redundant control and monitoring system. It also has four Azimuthal variable pitch thruster units which can be utilised for propulsion or to further enhance position keeping if required.

Saipem 12000



Saipem 12000 is a 6th generation ultra deepwater drillship built by Samsung in 2010, able to perform drilling at a water depth in excess of 12,000 feet and a drilling depth of 35,000 feet, using a highly reliable dynamic positioning system powered by 6 azimuth thrusters, each driven by one 4,500 kW electric motor with a total generation power of 48,000 kW.

The drillship is designed to function as an integrated unit allowing all systems including propulsion, power management, power generation, fluid flow system, fluid storage system and drilling systems to be monitored and controlled via a single integrated motoring and control network.

Thanks to such automated control and monitoring system, a high reliable double derrick, cutting edge drilling and subsea equipments, Saipem 12000 is a best in class drilling vessel in terms of performances, reliability, safety.

CASE STUDY

platform decommissioning - what to do with an old oil platform

Decommissioning and disposal of offshore installations has been the subject of extensive debate. As the first generation of fields are beginning to mature, the issue of platform decommissioning becomes increasingly relevant. Public concern is evident, and in some cases has become a significant factor in searching the most appropriate decommissioning solutions. Furthermore, the process of decommissioning is very strictly regulated by international, regional and national legislation.

In January 2010, Saipem successfully completed the offshore activities on the Total Frigg Cessation project. The heavy lift and transportation contract for the world's largest decommissioning project to date was awarded to Saipem UK in October 2004. Over the past five years, this hugely challenging project has pushed the Company's boundaries of innovation, safety awareness and culture, as well as vessel and personnel capabilities to meet the demands of these activities.

The field owner Total Norge AS combined both the Frigg main complex [at the Norway-UK border] and the MCP01 platform [UK Sector] in the cessation project. Total removed 7 platforms completely through its cessation plan.

Saipem performed the heavy lifting and transportation of all the topside elements by using the Saipem 7000 as well as installation elements for Aker Offshore Partner to assist in the platform preparations. The large TCP2 MSF structure (around 9,000 tonnes) was to be transported on the S600 cargo barge following the loading by the Saipem 7000. The wrecked DP1 jacket, the CDP1 topsides and the QP jacket were also prepared and removed by Saipem.

Key facts and figures achieved on the Frigg Project (2004-2010)

Vessel man hours without LTI:	2,236,726
Engineering and management hours:	590,000
Number of vessels from Saipem fleet used (Saipem 7000, Far Samson, Far Sovereign, Normand Cutter, Grampian Surveyor, Bar Protector and S600):	7
Tonnage of structures removed:	83,000
Number of vessel days used (all vessels):	642
Number of major heavy lifts performed (>50 t):	98
Number of minor heavy lifts performed (<50 t):	46
Tonnage of piece small items & debris recovered:	6,000
Tonnage of subsea pipelines, cables, etc. removed:	5,200

In addition to the above, the Sonsub division of Saipem UK was also assigned the removal of all subsea pipelines within the Frigg complex 500-metre zone by Total.

Projects spanning many years can be very challenging and in quite a new market such as decommissioning, in which each platform is to be removed separately, challenges reach extraordinary high levels. As a matter of fact, planning and supporting the entire project from conception to final completion while maintaining corporate goals/objectives and client requirements are all key elements of an elaborate process that can have a potential risk of failure. As a



Maaz Ahsan - Water World

matter of fact, to adapt to new ways of working and to maintain the highest level of safety that this kind of work demands, can lead to significant cost overruns.

Innovation, lateral thinking and motivation have all been key factors in achieving this milestone in this process. Innovative technical solutions were developed as follows:

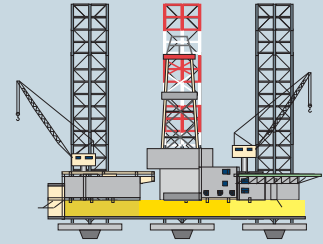
- placing of the TCP2 MSF onto the S600 cargo barge through a mechanical method only (rubber to steel gripper), and no welding of sea fastening;
- removal of the QP jacket in one piece by tandem crane and towing it into Stord;
- use of the latest ROV and internal lifting tool technology to remove jacket elements and stabilise the damaged sections of DP1 jacket (no divers required).

In addition to this, also the traditional working methods of Saipem's vessels were challenged, for example with extending offshore operations to winter months, and managing and performing all Hookdown and removal activities on CDP1, when operating in dynamic positioning mode to the limit of the system capabilities.

During the platform preparations, the onshore engineering personnel worked in close cooperation with the vessel personnel, in specific work teams. The ever changing working environment on these platforms resulted in focusing attention on safety in operations, so that the project management decide to increase even more safety personnel and briefings into the shift patterns. All these efforts allowed Saipem to achieve the Frigg completion milestone and conquer these challenges with an excellent safety performance.

Moreover, the most significant items of capital expenditure within the Offshore Drilling sector in 2010 are: the continuation of construction activities for the new deep-water semi-submersible platform Scarabeo 8 (which will be operating in Norway on behalf of Eni Norge) and for the new deep-water semi-submersible platform Scarabeo 9, which will be operating in the Gulf of Mexico on behalf of Eni.

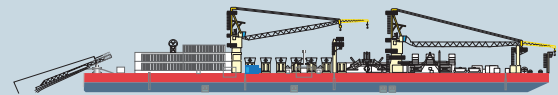
Perro Negro 8



Perro Negro 8 is a self elevating drilling platform (Jack-up) design by Gusto MSC and built by Labroy Shipyard in Batam (Indonesia) in 2010.

Based on a classical triangular open truss x braced structure, Perro Negro 8 can successfully operate in shallow water at a maximum water depth of 350 feet with a drilling depth of 9,100 m. Thanks to high performance drilling equipments and advanced control system, Perro Negro 8 is a highly reliable, flexible and performing jack up which can successfully operate in compliance with international standards and European regulations.

Castoro 16



Castoro 16 is a post trenching barge specifically designed to successfully operate in a complex area such as the Caspian Sea, where a peculiar mix of very shallow waters, high temperature ranges and harsh and highly sensitive environment requires for tailor made solutions.

Castoro 16 has got advanced post-trenching and backfilling functions to minimise the amount of excavated soil and can operate with piping up to 40" in very shallow water (1.4 m).

Advanced trenching equipment, including pulling unit, trenching sled, suction unit, a remedial machine, and a backfilling arm with vertical and horizontal movements, are powered by 6 diesel hydraulic power units 750 kW each and 1 electro hydraulic power unit 1,100 kW.

A Monitoring system, based on 2 stations for pipe burial depth monitoring, 2 stations measuring mixture flow rate and DGPS for machine positioning, is also installed to allow for a continuous monitoring of trenching operations and performances.

experts panel comments

With its long-term plan of investments not only to enlarge but also to improve its existing fleet and its on-going efforts to make procedures more efficient and safer, Saipem undertakes responsibility and ensures accountability. The events of the year 2010 clearly showed that preparing its people for any

possible kind of machinery failure, unexpected environmental conditions, but also human failure is essential as consequences for the on-going work, the people involved and the environment can be profound.

Sandra Biesel

Sustainability is a source of competitive advantage and a 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

sustainability








Saipem

talent

sustainability as a core company value

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 Model structure includes 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, control tools, and the rules for updating the Model itself . On February 10, 2010, Saipem issued its Anti-corruption procedures, based on 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 organisations . On October 27, 2010, the Board of Directors of Saipem SpA approved the **updating of Model 231**, which mainly concerned the extension of its application to data processing crimes as under Article 24-bis of the Legislative Decree No. 231/2001 .

In 2010, Saipem issued its Anti-corruption procedures and updated its Model 231.

code of ethics

Saipem's significant role in the marketplace strengthens the importance of clearly defining values that Saipem accepts, acknowledges and shares as well as the responsibilities it assumes. Saipem's Code of Ethics (the 'Code') includes all the company's general principles for sustainability and corporate responsibility, defines guidelines for stakeholder interactions 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 mankind and the basis for the establishment of a society founded on equality and solidarity. In view of this, commitment, Saipem operates within the framework of the **United Nations Universal Declaration of Human Rights**, the **Fundamental Conventions of ILO** – International Labour Organization – and the **OECD Guidelines on Multinational Enterprises**.

Compliance with the Code and the values of honesty, fairness, cooperation, loyalty and mutual respect, is fundamental to the quality of work and the professional performance of all Saipem's people.

Saipem is also open to – and will favourably take into consideration – any suggestions and remarks from Stakeholders to improve this Code. Compliance with the Code is supervised by the **Compliance Committee** of each company of the Saipem Group. These committees also act as guarantors of the Code of Ethics.

An ad-hoc internal task force of Saipem SpA, called the '**Code Promotion Team**', makes the contents stated in the Code of Ethics circulate among all Saipem's employees. Particularly, throughout 2010, the Code Promotion Team fostered the **translation** of the Code of Ethics into **12 languages** – which can be considered as representative of the areas where Saipem operates – in order to better spread the correct interpretation and the knowledge of its principles among employees of different nationalities. Such efforts include the divulgation of the Code of Ethics also in remote places, difficult to reach due to particular environmental conditions, e.g., offshore platforms and vessels. In addition, an e-learning session by means of a **web seminar** on the Code of Ethics and Model 231 has been implemented and addressed to key officers of Saipem SpA.

dialogue and respect: the foundations of our lawfulness



Saipem is clearly and precisely committed to respecting any and all legislation, including Italian legislation, international legislation as well as the legislation of all of the countries in which we operate. Our practice of applying, at international level, procedures which reflect best practices and, as such, constitute powerful and effective tools for ensuring legislative compliance, places us at the forefront in this area. Moreover, should problems ever arise with any stakeholder, be

it a country, a local community, a client, a subcontractor, a supplier or even an individual, Saipem's choice is always to avoid conflict and legal disputes and to reach clear and direct solutions based on dialogue.

Pietro Galizzi
General Counsel

Moreover, different training events have been organised both in Italy and at its controlled companies abroad. Worldwide concern towards business ethics has also created the opportunity to exchange experience with other companies, in particular Hyundai Engineering and Shell.

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. Since 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, operated as a wholly owned subsidiary of Eni SpA until February 2006, when an agreement was entered into for the sale of Snamprogetti SpA to Saipem SpA. Snamprogetti SpA was merged into Saipem SpA as of October 1, 2008.

As already mentioned in previous Sustainability Reports and financial statements, in 2004 the U.S. Securities and Exchange Commission (SEC), the U.S. Department of Justice (DoJ), and other authorities, including Public Prosecutor Office in Milan, started investigations for alleged improper payments made by the TSKJ Consortium to certain Nigerian public officials between 1995 and 2004.

In connection with the above-mentioned sale, Eni SpA agreed to indemnify Saipem SpA for losses resulting from the investigations. The **proceedings in the U.S.** ended in July 2010 with the announcement by Snamprogetti Netherlands BV to have entered into a deferred prosecution agreement with the DoJ, pursuant to which Eni paid a criminal penalty of US \$240 million on behalf of Snamprogetti Netherlands BV. If Snamprogetti Netherlands BV satisfies the terms of the agreement, the charges against it will be dismissed after a period of 2 years (extendable to 3 years). Snamprogetti Netherlands BV and Eni (as parent company and NYSE listed company) have also entered into a consent order with the SEC, under which they have jointly agreed to pay the SEC a penalty of US \$125 million proportionate to the alleged profit gained. Following the adoption of new procedures described later on, the agreements entered into with the U.S. Authorities recognised the soundness of Saipem Group's compliance system and did not require the implementation of any independent compliance monitor (as it occurred, on the contrary, to two other companies participating in the Consortium).

The proceedings in Nigeria: at the end of the year, also the Federal Government of Nigeria ended its proceedings against Snamprogetti Netherlands BV. Pursuant to an agreement Snamprogetti Netherlands BV agreed to pay US \$30 million, as well as US \$2.5 million as reimbursement for legal costs and expenses incurred by the Nigerian Federal Government. The Nigerian Authorities recognised that the alleged challenged actions ended in June 2004.

Regarding the **proceedings in Italy**, the Public Prosecutor in Milan requested precautionary measures related to TSKJ Consortium's practices between 1995 and 2004, claiming the inadequacy and violation of the organisational, management and control Model adopted to prevent the commission of the alleged offences by persons subject to direction and supervision. The decision on the precautionary measure is referred to the Court of Milan, as a Review Judge; the relevant hearing was scheduled for February 22, 2011. On February 18, 2011 the Public Prosecutors of Milan, against Snamprogetti Netherlands BV deposit of €24,5 million, which was made also on behalf of Saipem, waived their appeal and relevant request of precautionary measure against Saipem and Eni. The amount of €24,5 million will be refunded to Snamprogetti Netherlands BV in the event of acquittal and confiscated in the event of conviction.

As a consequence of the above, the proceedings before the Court of Milan, with relevant hearing scheduled for February 22, 2011, is now dismissed. Only the merits of the proceedings will continue with the committal for trial of Saipem SpA (as incorporating entity of Snamprogetti SpA), as well as of 5 former employees of Snamprogetti SpA; the relevant hearing is fixed on April 5, 2011.

Further details are available in the 2010 Financial Statements, under the chapter on Legal proceedings.

Saipem SpA and its subsidiaries are committed to continuous improvements in their internal compliance program and policies. The Code of Ethics was recently modified in both its form and content and, in February 2010, Saipem approved its new **Anti-Corruption procedures**. In addition to this, in October 2010, Saipem's Board of Directors approved the **updating of Model 231** (which includes the Code of Ethics), mainly concerning the extension of its application to data processing crimes as under Article 24-bis of the Legislative Decree No. 231/2001 of the Italian Law.


Saipem is committed to promoting knowledge of the Model and Code among Saipem's People and the other stakeholders, as described in the relevant chapter, checking compliance and ensuring transparency in all transactions and behaviours, by taking corrective measures – if and as required.

In addition, **hiring new employees is Anti-Corruption oriented:** the function of Human Resources department checks the criminal records

certificates of any new employee. The **Anti-Corruption unit** is present worldwide through Saipem’s subsidiaries so as to train managers/ key officers and employees on Anti-Corruption issues. Saipem also performs web training sessions through an e-learning program in order to reach a big number of employees. In 2010, Saipem trained **more than 600 managers/key officers and employees** on Anti-Corruption issues all over the world.

saipem sustainability organisation

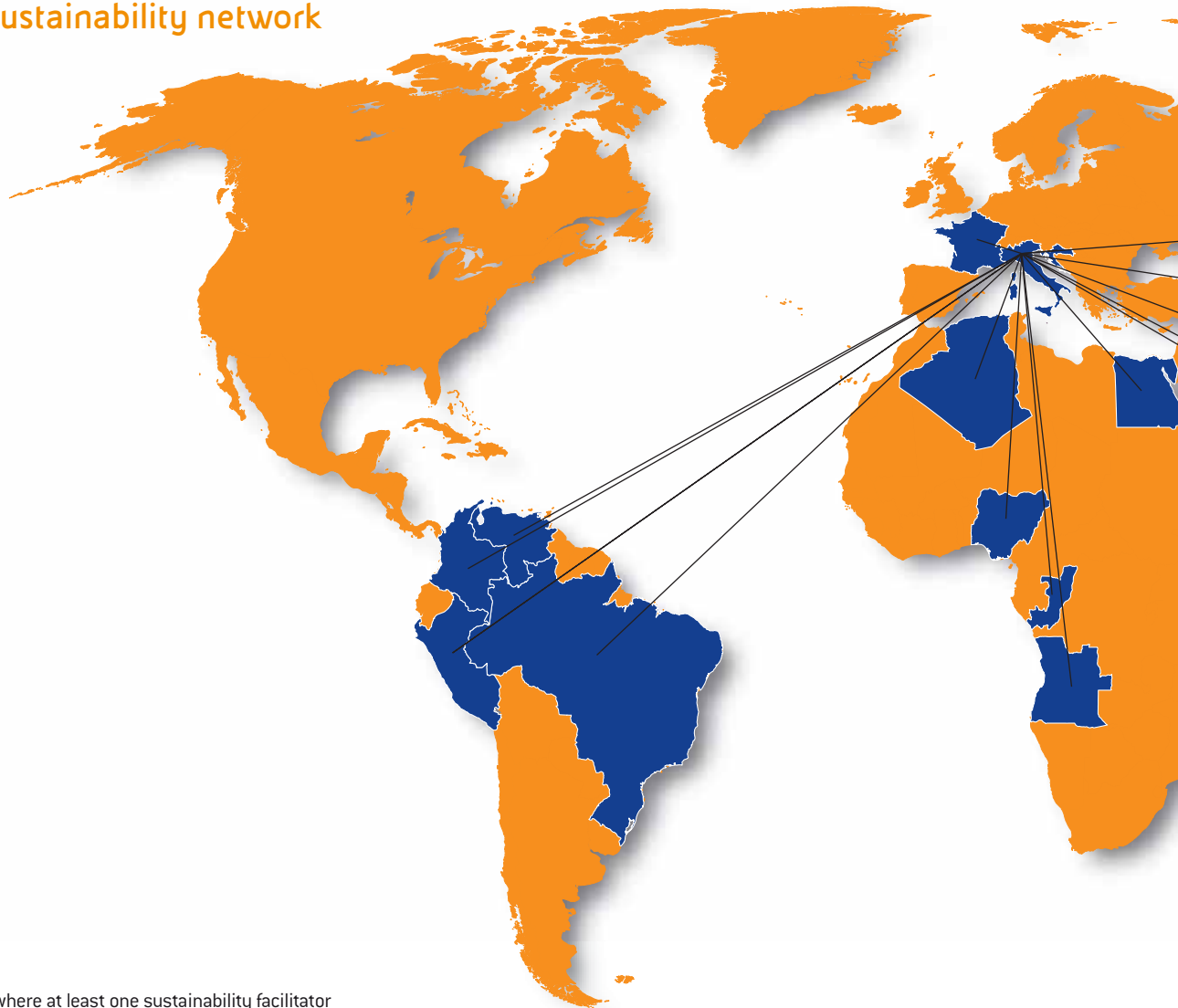
Saipem has continued to organise its Sustainability Model at both corporate and local levels as sustainability becomes more and more integrated with business strategy.

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, and the Chief Operating Officers of business units .

The Committee met 3 times in 2010. It examined and discussed the group’s entire sustainability programme and the plan of initiatives and activities to be carried out, and 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.

saipem sustainability network



Note: Countries where at least one sustainability facilitator has been appointed.

experts panel comments

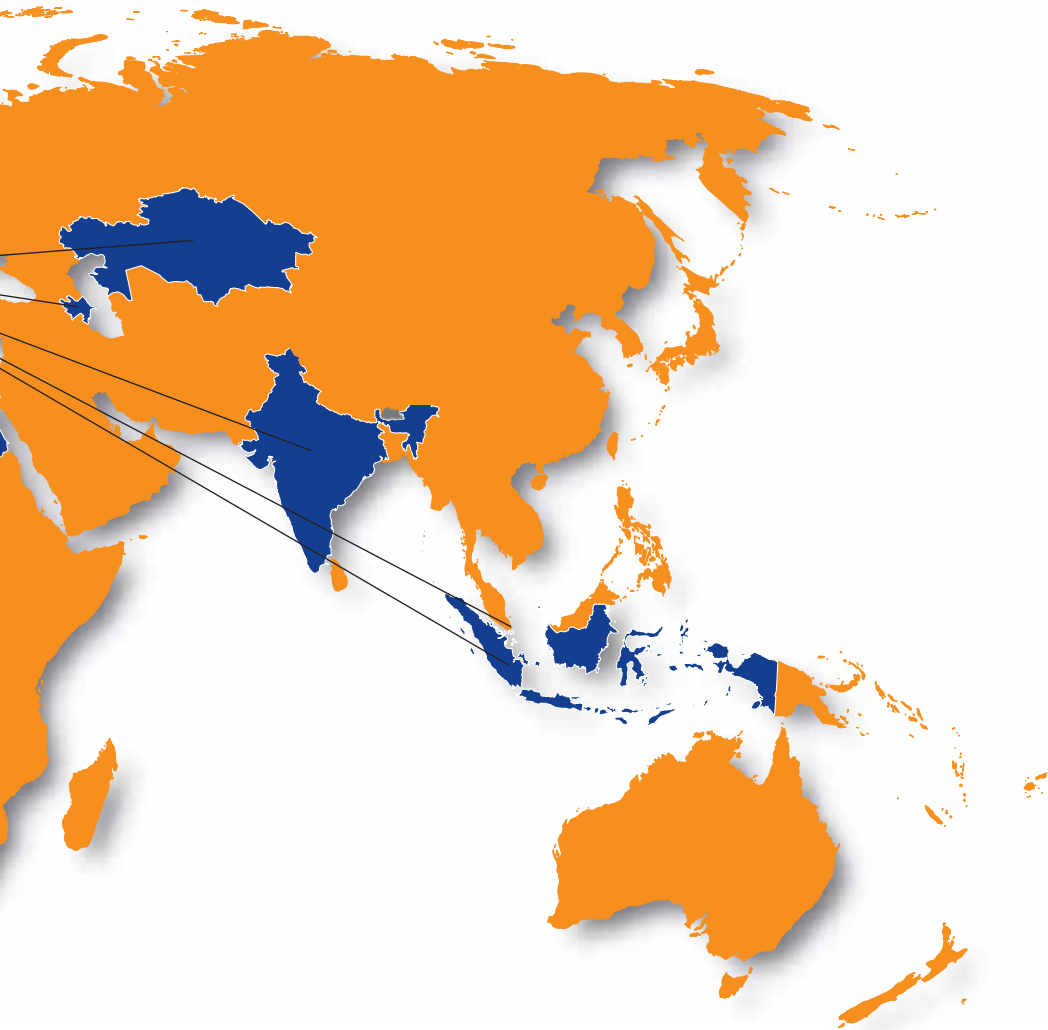
Saipem's over the years well evolved sustainability model sets a high standard. The high degree of interlinkage at both corporate and local level is a key component of its success. Making identified areas of improvement and sustainability objectives

publicly available could be an additional benefit for stakeholders as it increases transparency and comprehensibility.

Sandra Biesel

Given the cross-cutting nature of sustainability, almost all company functions are involved in initiatives and programmes for sustainability.

Sustainability facilitators and coordinators in those 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. They support and/or coordinate sustainability projects and activities conducted at local level and collaborate to the management of the relationship and engagement with local stakeholders. They also collect data and information concerning sustainability activities at local level, local context and situations, and ensure the analysis and evaluation of the socio-economic impacts connected with Saipem operations, where needed, promoting the necessary actions to enhance positive impacts and mitigate the negatives ones.



sustainable business strategy

overview on market scenarios

oil&gas industry scenario and e&c contracting perspectives

The speed and the strength of the ongoing global economic recovery will determine how energy markets will evolve over the next few years. The **price of energy sources, the consequent energy mix and the end-user behaviour** will remain the key factors to shape the future global energy system along a truly sustainable path.

Following the 2009 slowdown, **2010 World GDP is estimated to have grown by around 3.5%** and the same pace is expected also over the next four years. However, the **global economic recovery** is occurring at different speeds in the major regions of the world, with China and India driving the emerging countries with growth rates expected around 6.5% per year (only 2.5% on average for advanced economies).

The long-term *World Energy Outlook*¹ is based on the broad policy commitments and plans announced by major countries around the world. In their reference 'Central scenario 2010-2030', non-OECD countries should account for around 93% of the projected increase in world primary energy demand.

According to IEA, China overtook the United States in 2009 as the world's largest energy user, despite still showing a low per capita energy use. China should contribute to around 36% of the projected growth in global energy use. Despite being at the forefront of efforts to increase the share of low-carbon energy technologies, including nuclear energy, China's role in the global play for energy security and climate change issues will keep on growing at a significant pace.

A gradual recovery is expected in the Hydrocarbons Industry from second half 2011/first half 2012, with growing Capex by Majors and National Oil Companies spread both on Onshore and Offshore activities.

Oil demand is going to gradually strengthen in parallel with the recovery of the global economy. During 2010, the oil price remained within a band between US\$70 and US\$85. Recent political unrest and supply disruptions in North Africa, as well as fears of further political strife also elsewhere have pushed the oil price well above US\$ 100 per barrel. This increase was mitigated somewhat by OPEC's willingness to use their current 6 million barrels per day (Mbb/d) spare capacity, to maintain the oil supply and to keep the oil prices under control. A stabilisation of oil prices at these higher levels of above US\$100 by 2015

seems likely in the absence of major further supply disruptions. These prices would support new field exploitations also in higher cost fields in countries like Venezuela and Canada, while the production from offshore fields in West Africa and Brazil are profitable also at current oil prices.

Natural gas demand growth is expected in OECD countries during the next four years with a better forecast for North America and Pacific than for Europe.

The growing Oil & Gas demand and the consequent higher expenditure in the Hydrocarbons Industry should trigger over the next years a gradually increasing demand also in all segments of the oilfield services segment.

Global Oil supply is expected to grow from 91.0 Mbb/d in 2009 to 96.5 Mbb/d in 2015. Increments are supposed to come mainly from OPEC's crude (+1.9 Mbb/d) and NGL capacity (+2.6 Mbb/d). Non-OPEC oil supply should grow only 1.0 Mbb/d² to 52.5 Mbb/d by 2015 mainly due to biofuels increase by 0.8 Mbb/d and other unconventional oils. The future increments should come from the Caspian Area, Canadian oil sands and biofuels. Optimistic forecasts are foreseen also for Russia and Colombia.

The drivers supporting such growth trend should be:

- **OPEC Crude Capacity** (36.8 Mbb/d in 2015): the Middle East is foreseen to drive the supply increases, as higher prices bring stalled projects back on track. On the other hand the prospects among African producers are expected to be weaker, due to political/security upheavals and less attractive contract terms, particularly in Nigeria. As usual, this outlook is clouded by geopolitical risks among some producers.
- **NGLs** are expected to provide almost 60% of the global oil supply growth, driven by large-scale gas-rich developments, more efficient capture of deeper and wetter formations and widely spreading incentives to curb flaring. In non-OPEC countries the decline in conventional crude (-1.0 Mbb/d) should be offset by increases in biofuels, NGLs and other unconventional oils.

Oil capacity growth over the next years should come more and more from complex projects. The bulk of these projects will be technically challenging (Brazil and West Africa), expensive (Canadian and Venezuela oil sands), and/or facing geopolitical issues (Iraq, Venezuela, Nigeria, Kuwait). The focus will be on the following key market themes.

- **Deepwater:** despite the Macondo incident in the U.S., the Gulf of Mexico (GOM) deepwater represents one of the best current growth stories in the industry. While disastrous for the environment and regional economy, the impact on oil

[1] Source: IEA November 2010.

[2] Net of baseload capacity decline expected to continue at a pace of around 1.0 Mbb/d, mainly in North Sea, U.S., Mexico.

markets of this accident should be relatively small in the long-term, since production will remain critical to maintain the U.S. oil supply capacity. From early to mid 2000's, the deepwater exploration success has taken off and over the last 15 years these discoveries have outnumbered shallow water finds by more than 2 to 1 over the last 15 years. Main deepwater production increases are forecast in Brazil, West Africa and non-traditional and 'frontier' areas such as the Far East, the Arctic and the Mediterranean Sea.

- **Arctic:** according to the USGS (U.S. Geological Survey) the Arctic may hold about 22% of the world's undiscovered conventional oil and natural gas resources (30% of natural gas and 13% of oil res.). Out of the total estimated 412 billion barrels of oil equivalent reserves, 78% should be natural gas and natural gas liquids (NGL).
- **Iraq:** Iraq should become a key supplier to the global oil markets in the coming years. The extent of Iraq's oil impact on the market will depend on how quickly its oil potential will be materialised. Should Iraq emerge as an oil giant, able to balance Saudi supremacy, then the Middle Eastern's political, economic, and security stability might be positively affected. Iraq's plans could still be delayed by internal political security and operational issues as well as by infrastructural problems. However, investment needs are expected to exceed \$50 billion over the next ten years with a production capacity rising from 2.5 Mbb/d to 3.5 Mbb/d by 2015.

After the 2009 slow down, the **Upstream Oil & Gas Investments** (F&D spending) are going to restart growing at a faster pace, especially in non-OPEC countries.

saipem scenario

Among all competitors in the Oil Services Industry, Saipem is confident that it will keep on delivering good results in the future thanks to its strong industrial model and to the audacious strategy of continuing to invest at an impressive pace also during the downturn, in order to exploit the next expected positive cycle.

Following the global downturn in 2008-2009, the **Offshore** market turned out to be relatively weak also throughout 2010. Nonetheless, it is expected to begin its recovery in 2011, thanks to big gas-driven pipeline projects (especially in the Mediterranean/Black Sea, Middle East and North Sea) and large field developments in deepwater areas (especially in West Africa, North Africa and, in the longer term, Far East). Potential growth opportunities may also come from the Arctic frontier and Brazil's deepwater. Under these circumstances, Saipem would also benefit from the

saipem's main financial results

New contracts awarded to the Saipem Group in 2010 amounted to **€ 12,935 million** (€9,917 million in 2009).

In 2010, the Saipem Group achieved **operating revenues of € 11,160 million**, an increase of € 868 million compared to the previous year.

Production costs (which include direct costs of sales and depreciation of vessels and equipment) totalled **€ 9,361 million** (€8,714 million in 2009).

This significant increase was in line with an increase in sales volumes. Saipem was able to fully exploit the favourable conditions on the Onshore market, posting a **111% increase in new contract acquisitions** compared with the previous year, but also managed to maintain steady order backlog levels in the Offshore sector (€ 5,544 million) despite the adverse conditions as a result of a strong competitive position in frontier areas, which are traditionally less exposed to market cyclicality. Idle costs increased by € 31 million, mainly due to lower utilisation rates for Offshore vessels.

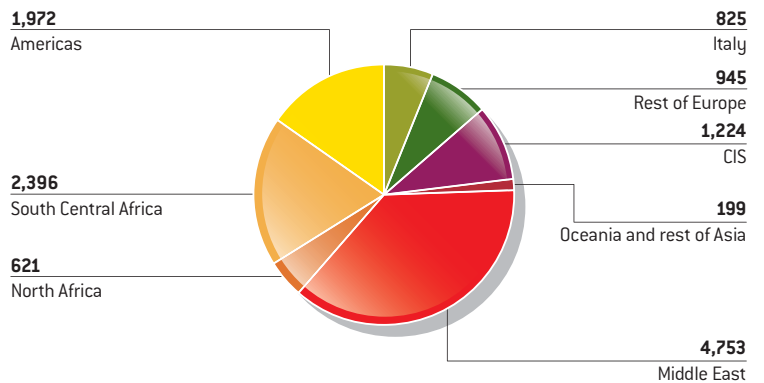
Selling expenses of € 143 million registered an increase of € 29 million compared with the previous year due to an increase in sales activities, particularly in the Offshore sector.

Research and development costs included in operating costs decreased by € 5 million.

For any further detail, please refer to the 2010 Annual Report.

new orders

(€ million)



shareholders owning an excess of 2% of capital on December 31, 2010

Shareholders	No. of shares	% of capital
Eni SpA	189,423,307	42.91
Capital Research and Management Co	21,656,293	4.91
FMR Llc	15,223,856	3.45
Blackrock Inc	12,421,763	2.82
FIL Ltd	8,898,844	2.02

delivery of the new state-of-the-art vessels under construction (the Field Development Ship FDS 2 and the pipelayer CastorOne), and from the exploitation of its local content network of yards/bases (e.g. in Angola, Nigeria, Congo, Kazakhstan). In the frame of this local content strategy, aimed at reinforcing the company's competitive advantages in key strategic areas, Saipem is also planning the construction of a new yard/base in Brazil. Finally, the completion of Karimun Yard (Indonesia) will guarantee an even stronger control on large platforms/topsides EPIC chain through the internalisation of the fabrication phase with further benefits in terms of risks, costs, schedules and quality.

In 2010, Saipem maintained its **Onshore** leading position in the reference markets. In 2011, several new projects are expected to be sanctioned in the Middle East (upstream, pipelines and downstream), Asia (downstream) and America (upstream, LNG, refining and pipelines), with further interesting opportunities arising in CIS area (midstream and downstream) and Africa (refining and LNG). Saipem is ready to make the most of its competences in all target areas, by leveraging its consolidated presence in strategic countries and developing stronger relationships with local stakeholders and National Oil Companies. Saipem will also try and exploit the opportunities expected in Iraq, where many new field development licenses have been awarded to foreign National and International Oil Companies.

However, the onshore E&C market is becoming even more competitive, with many players (coming also from the Far East) aggressively bidding on new projects. Firms with huge backlogs continue to bid mostly on large or mega-projects, as these still remain the target of a reduced number of competitors. Under these circumstances, Saipem intends to further consolidate its competitive position and pursue a sustainable long-term business model, through a selective commercial approach, the strengthening of world-scale engineering and project execution centres, a further development of engineering skills in cost-effective centres (India) and of a network of ever more cost-efficient vendors in emerging markets such as India and, possibly, China.

In the **Offshore Drilling** market, Saipem intends to confirm its

position as a niche reliable player by focusing primarily on harsh environments and deepwater operations, thanks to its high quality assets and long-standing experience.

After the delivery of the newly-built, state-of-the-art drillship Saipem 12000 in 2010, Saipem plans to finalise its investment program with the delivery of the 6th generation of semi-submersible rigs – Scarabeo 8 and Scarabeo 9 – in 2011. The offshore Drilling fleet expansion and renewal will enable to keep a sustainable dimension together with a competitive position in the long run, by maintaining critical mass and alignment with the expected industry requirements and tightening up requisites in terms of HSE standards, which will be spread even more widely after the Macondo accident.

In the International **Onshore Drilling** market, Saipem intends to maintain its medium-to-large dimension by staying focused on traditional key countries (such as Saudi Arabia and Algeria) as well as on fast-growing South American markets (primarily Venezuela, but also Peru, Ecuador, Colombia and Brazil) and difficult environment countries such as Kazakhstan. The recent onshore rigs fleet expansion program strengthens even further Saipem's long-term presence in core markets.

In the continuing quest for design and construction of challenging, complex and expensive infrastructures for the hydrocarbon industry, the ability to develop of modern, cost-effective and sustainable solutions is an important plus. As a consequence, Saipem's **technology innovation** pursues continuous development and improvement of proprietary process technologies and related know-how, as well as the application of the most modern third-party, state-of-the-art technologies. With reference to EPC activities in onshore markets, Saipem will continue to focus both on the development of proprietary technologies and systems to be marketed directly to end users as well as on the improvement of technologies owned by third parties, especially for the setting up of large, complex plants and systems. On the other side, in offshore Saipem will carry on with its efforts to produce innovative designs for hydrocarbon field development in accordance with

take up the challenge, successfully

Despite difficult market conditions, Saipem achieved record results in 2010. Several factors contributed to the success. Firstly, a strategy to focus on big and complex projects, primarily in remote areas: out of around 20.5 billion of backlog at the end of December, 25% is relevant to activities to be carried out in the Middle East, 20% in Northern Africa, 14% in Western Africa, 13% in South and Central America and 5% in the Caspian Area. Secondly, in order to be a credible actor in this kind of projects, historically less affected by short to medium-term oil price volatility, Saipem heavily invested (around 8 billion in the last 5 years) to be provided with state-of-the-art advanced assets, primarily in the deepwater sector, as well as the



best competences in engineering project management, procurement and fabrication. Finally, particular attention has been paid to increase our local content, that remains a rewarding and distinctive factor. As a result of the above, Saipem's results witness a high operating efficiency and significant success in new contract awards: new orders in 2010 amounted to almost €13 billion. The combination of contract execution state-of-the-art capacities, distinctive assets, local content in key areas, and a healthy backlog should allow achieving excellent results also in the years yet to come.

Giulio Bozzini
Chief Financial Officer

clients' changing needs. Furthermore, since Saipem's vessels and technical equipment stand as a key element for preserving and strengthening its leadership in this sector, continuous in-house development of know-how to manage these assets – from R&D to design of new vessels, to maintenance and improvement of the operating ones – is strategic for the Company's success.

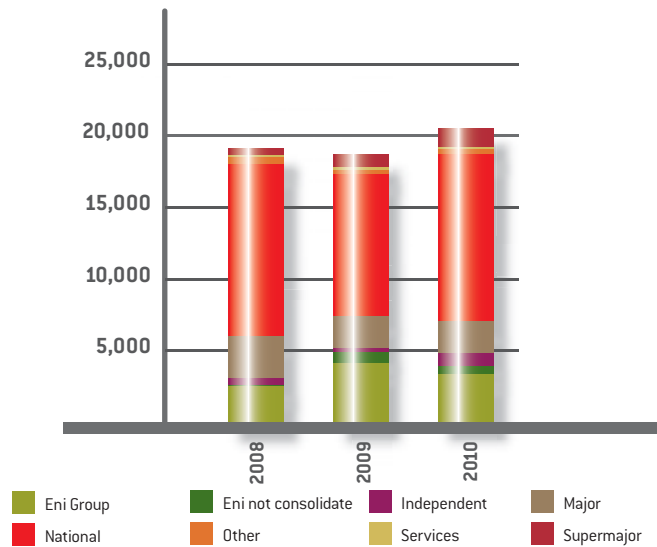
Customers

As seen in earlier chapters, particularly as a result of market changes over the last decade, the market characteristics and the clients' profiles have evolved significantly and sometimes abruptly over the years. Today, we see the following main trends in the Customer base, with drastically different requirements for each type of client:

- 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), ADNOC (U.A.E.), Saudi Aramco (Saudi Arabia), Gazprom (Russia), etc. As these companies own rapidly growing oil and gas reserves, they are the most active investors in the current market. Furthermore, with their recent growth in technical and business capabilities, some of these companies have started operating also in international markets, beyond their home bases.
 - The emergence of a new type of player, born by market consolidation or evolving market structure, such as electric power companies moving upstream in the value chain to produce gas from their newly acquired reserves - for example, E.On., Edison and others.
 - In many cases the temporary formation of complex joint ventures between several, companies, typically ad hoc combinations of NOCs and IOCs. These new special purpose entities, formed for a single large project, often lack the personality and the tradition of established oil and gas 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:
- Building local execution centres with engineering, procurement, project management and construction capabilities, in order to develop and maximise the utilization of local content. For example, Nigeria, Algeria and Kazakhstan in recent years, Canada today and Iraq in the near future.

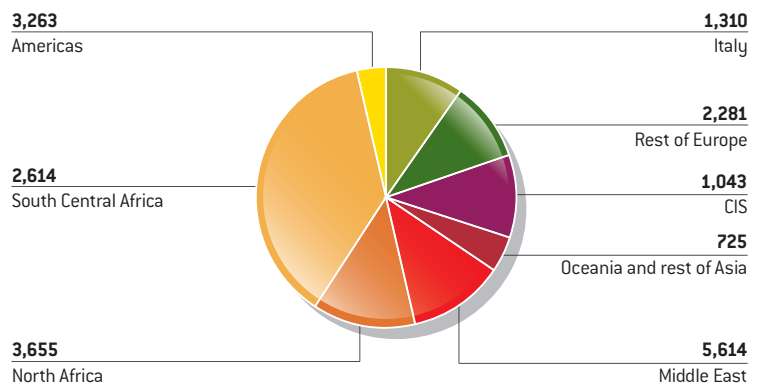
order backlog by customer type

(€ million)



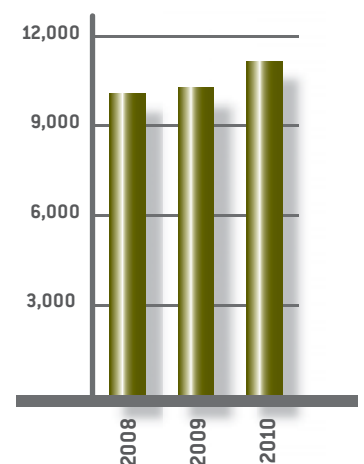
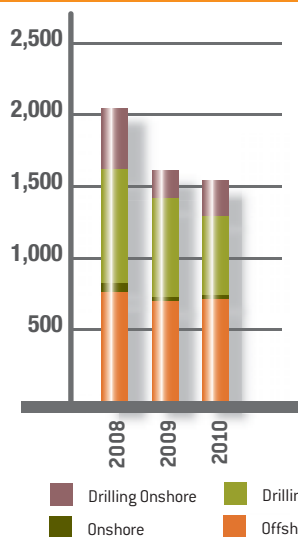
order backlog by geographic area

(€ million)



investments by activity sector (€ million)

revenues (€ million)



Customer Satisfaction

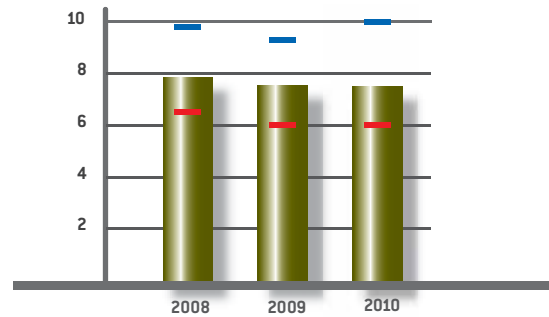
Pursuing satisfaction of our clients in the Energy industry

In 2009 Saipem adopted a new tool for measuring customer satisfaction and endeavouring to improve upon, as part of the Company's commitment towards the 'Continuous Improvement' of management systems and operations. Since 2004 Saipem had in place a customer satisfaction monitoring methodology, for recording and analysing clients' feedback, in order to guarantee process effectiveness and efficiency aiming at businesses profitability. The new tool consists in an electronic web-based questionnaire to which clients can easily have access and that they can use to report their impressions and perceptions of the work done. The questionnaire includes several managerial and technical topics; specific sections are dedicated to HSE and sustainability management and perceived Saipem's performance on the project. Since the beginning of the system, about 400 questionnaires were received by the quality department, of which 53 in the last year. All questionnaires received have been collected, analysed and included in the new tool, adapted to the new structure of the questionnaire. Customer Satisfaction is not limited to collecting questionnaires from the Clients, therefore

- Emphasising a high degree of flexibility and adaptability to enter and strengthen our activities in new expanding markets, which might acquire increased importance.
- 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 provide a broad range of technical services, for example to execute the Front End portions of new projects. This is particularly appreciated by some NOCs, should they 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

it includes analysis, improvement and capitalisation in view of Saipem's commitment to 'continuous improvement'.

customer satisfaction results



Note: Minimum and Maximum refer to the average scores calculated for each Operating Company.

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 E&C 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 for drilling, or the strengthened co-operation with Chiyoda in LNG and other onshore projects.

Saipem's responsibility towards its Customers

Saipem's first maxim is: 'we have no right to be profitable if we're not doing a good job'. Companies that forget their Clients are doomed from the outset. This vision is reflected in everything

experts panel comments

We live in a time of increasing volatility and extraordinary changes, driven by new uncertainties and ambiguous value systems. The financial crisis, the technological shift from conventional to unconventional resources, changing geopolitics, climate change and the likely future carbon price, water footprint and its impact on the energy value chain, competing value systems, armed conflict and ideological extremism... how will all these issues affect our future energy system and what will the critical drivers to watch be? In considering energy scenarios, Saipem is getting prepared for the challenges of the future. Actively taking part in scenario building exercises of international organisations, such as the World Energy Council's

open source scenario effort, could provide a significant contribution to the important discussions that have to take place currently between many different stakeholders and enable an even better understanding of critical drivers and uncertainties that might jeopardise sustainable development. Client satisfaction is the cornerstone of a successful business. Evaluating their opinions not only by assessing overall performance, but also how Saipem can continue being a sustainability leader and where there are potential areas of improvement, will lead to an overall better performance as well as strong, loyal customer relationship.

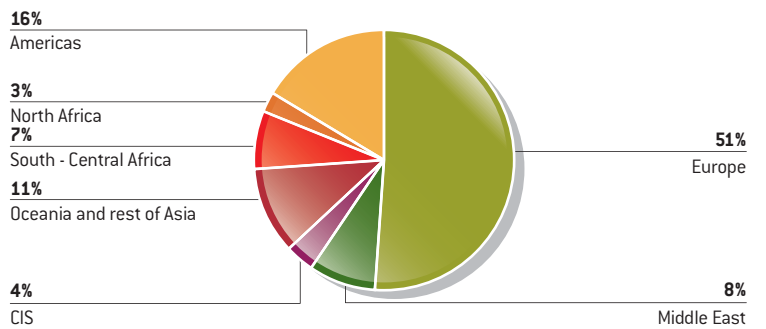
Sandra Biesel

Saipem has or does, in all its products and services. Saipem's Clients are process-oriented rather than simply product-oriented: they judge not only the technical quality of the final product, but the way the Company does things. Saipem's commitment is to achieve superior Customer Satisfaction. Saipem implements in all its projects reliable Quality and HSE management systems, to reach the highest level of products and services, improving them, making them faster, safer, more trustworthy, and more cost-effective. This means optimising every day operating processes, pursuing 'Continuous Improvement'. Cost-effectiveness coupled with second-rate quality is simply not sustainable. The HSE and Quality management system, and related tools, allows to aggressively identify mistakes as early as possible, rectify them and improve the underlying process for the future. For instance, the Project Quality Plan and the HSE Plan, issued for each operating project, specify which processes, tools, procedures and associated resources the Company applies to the project. The Project Plan concerns primarily to the path from customer requirements, through product realisation and service provision, to customer satisfaction. It provides the project team with guidance on control/inspection activities in order to verify the conformity of the obtained results versus the applicable requirements. It therefore lists the inspections to be carried out during the execution of the Project operating activities, demonstrating, internally and externally, how quality control requirements are met by Saipem. Moreover, Project Quality Management provides added value to the project driving the team towards Customer Satisfaction, understanding customer needs in order to reaching its expectations, and spreading a culture of 'Mistake Prevention' and 'Risk Management' rather than a 'Short term Corrective Actions' attitude.

dialogue with the financial community

Saipem's Investor Relations activities are based on continuous dialogue with the financial community. It 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's website. As part of its institutional financial communications, in 2010 Saipem organised 27 roadshow days and attended 11 international investors' conferences and events where the company's representatives presented Saipem's activities and results, reaching the following cities: Milan,

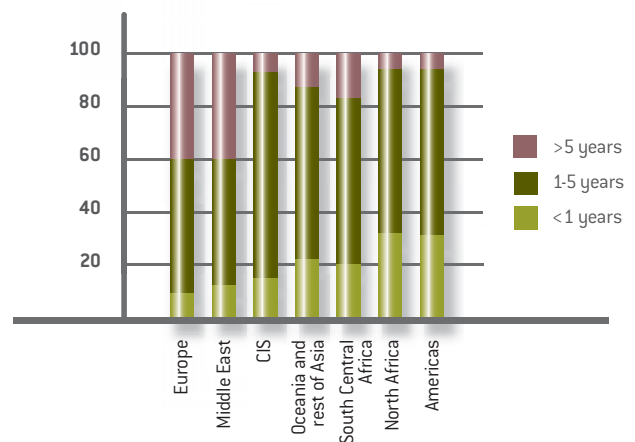
total vendors (%)



Note: including Active, Potential and Blocked Vendors; not included Eni Group e Subsidiaries

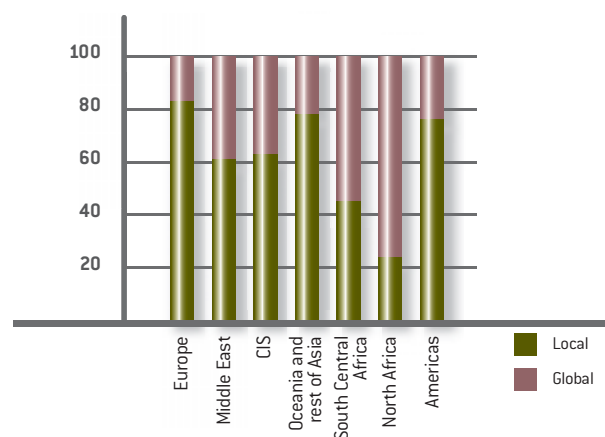
On a total of 51,012 vendors, the active vendors in the Company's database system at the end of 2010 totalised 24,467 vendors, of which 7,800 qualified during the year (including new qualification, qualification renewal, qualification extension). Further 1,934 qualification processes were on-going. A total of 545 feedbacks on vendors were released during the year, 79% of them with positive results.

active vendors by relationship duration (%)



Saipem has developed stable relationships mainly in areas of historical and consolidated presence, such as Europe, Middle East, CIS, Asia and South and Central Africa. In any case, the percentage of vendors with a relationship longer than 1 year is about 82%.

total ordered by local/global vendors (%)



The total ordered in 2010 was € 7.7 million, of which 46% ordered locally. About € 1.7 million are not splittable into the geographic areas as they include cost centre spent and asset project (investment, maintenance and similar).

London, Frankfurt, Paris, Amsterdam, The Hague, Rotterdam, Edinburgh, Gleneagles (Scotland), Zurich, Geneva, New York, Boston, Yountville (California), San Francisco, Miami, Tampa Bay, Toronto and Beijing. Moreover, Saipem organised an Analyst Day in London, where the Company's Top Management met all the main sell-side analysts.

More generally, in 2010 approximately 520 individuals were contacted during one-to-one meetings, group meetings and conference call or video conference meetings, including portfolio managers and buy/sell side analysts. Furthermore, over 500 individuals attended the four financial results conference calls.

working with suppliers and subcontractors

Saipem is committed to maintaining and improving a mutual, long-lasting, understanding and trustworthy relationship with the enterprises that work with and for Saipem.

While providing equal business opportunities, suppliers and subcontractors are selected from around the world, according to the principle of open competitiveness. The **Vendor Management process** evaluates the reliability of vendors (both suppliers and subcontractors) in terms of their technical, financial and organisational capabilities, including their compliance with Saipem's Code of Ethics.

The criteria used for selecting suppliers and subcontractors during the qualification process include, not only their capability to meet economic, financial, technical and organisational requirements but also compliance with Saipem Sustainability, HSE Policies and

standards/procedures. The requirements are verified by means of a questionnaire, additional technical documents and also, assessment visits in case of critical and important supplies. Monitoring and control of suppliers' performance is a valuable and constant process for Saipem's success and it is achieved through the **Vendor Feedback process**, that, finally, aims to improve and develop supplier and subcontractor performance. Saipem is strongly committed to identifying and exploring new sources of supply in the emerging countries. The Company has implemented a dedicated approach to high impact products and services through **Strategic Sourcing Centres**, specialised procurement departments that perform local market scouting and support Saipem's worldwide projects, thus ensuring an interrelation with local business opportunities for all purchasing activities.

let our suppliers speak

Interview with Stefano Mancini, Drillmec SpA General Manager

Drillmec, founded in 1922, is an international leader in design, manufacture and distribution of drilling rigs, particularly in divisions of subsoil engineering as well as of design and construction of advanced plants, either in geotechnical and hydrocarbon drilling projects, for onshore and offshore applications. In the last few years, Drillmec has gone through a remarkable growth and an applied technological research, mainly in electric and hydraulic plant design. Particular relevance is to be given to the innovative and technologic nature of our drilling rigs.

What measures do you take to control environmental impacts generated by all the different offshore and onshore operations?

The development of drilling plants with low environmental impact has historically been a driving reason for the company's project activities. Drillmec focuses its efforts on the equipment design phase, by using innovation to set up drilling plants which would enable users to optimise transportation from one workplace to another and reduce yard space and fuel consumption.

Control of internal operations inside Drillmec's main plants (welding, sandblasting, varnishing and assembling phases) and suppliers, is constantly carried out by Drillmec's HSEQ team, with the purpose of protecting workers' health and ensuring its compliance with European environment protection rules.

Concerning job health and safety protection for workers, how does your company policy guarantee these aspects?

Drillmec believes its development is closely connected to health and safety both of its employees working on the equipment construction

and of those users of drilling plants, once they are operating on site. Workers' safety is guaranteed by spreading constant awareness on this issue in all the company's departments. Drillmec's project managers develop its equipment, by seeking to make assembly operations clear and simple. Operating teams refer to those professionals in charge who have long experience and competence in their field and execute permanent 'on-the-job trainings' for younger people. Missions abroad for commissioning activities, technical assistance or maintenance, are carried out by expert technical personnel, who is able to respect contractual commitments, as well as by employees under training.

How does innovative development contribute to activities improvement in the perspective of sustainability?

Innovation is one of the main drivers of Drillmec's activities. The development of state-of-the-art drilling plants, such as 'HH' series mobile plants that manage and control the main automatic drilling operations by minimising human intervention (unmanned drill floor), allows achieving very high standards of safety.

How do you consider your collaboration with Saipem?

The 10-year collaboration with Saipem has allowed Drillmec to pay particular attention to product quality, aimed at gaining the highest customer satisfaction and operational improvement. Particularly, Drillmec-Saipem joint development, as well as 3,000 HP plants for the KCO project, during its project, execution and delivery phases, made our company improve exponentially its organisational, management and technical capabilities. The good outcome of the KCO project increased value that was not economic, nor was it technical or operational, but rather ethical of all the Partners involved in this operation.

India - an opportunity for the oil & gas market

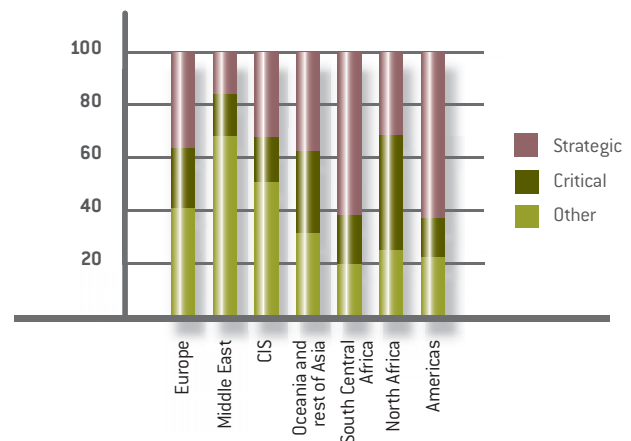
Last year Corporate Procurement efforts were concentrated in India, a strategic country in the oil & gas market. India has been making considerable progress and also represents a significant opportunity in terms of availability, savings and suitable quality. Saipem is sharing its knowledge with local vendors in order to develop partnership. Also, through Sourcing Centres and Procurement Departments, it has been working to get constant feedback with local communities, authorities and vendors in order to be always updated and establish a profitable and successful cooperation with Indian companies to ensure competitiveness. In particular Saipem has pursued a strong qualification campaign and achieved good quantitative and qualitative results, by scouting potential suppliers and analysing vendors' data according to information on prices and trends in the strategic market. Saipem aims to establish long-term agreements based on continuous process improvement, sharing benefits and risks on a long-term base. By the end of 2010, through an important effort by the Procurement Dept. many strategic agreements have been analysed and discussed with Strategic Vendors: some of them were almost completed. In addition to the strategic agreement with Larsen & Toubro – the first agreement was signed in 2009 – a new Agreement was signed with NSSL and developed with the supervision and approval from the Corporate headquarters, for valve supplies. Such Agreement defines the framework for a multi-annual, technical and commercial collaboration, with two main goals:

- to ensure a strong partnership to meet project and bid requests in terms of prices and quality standards;
- to co-engineer throughout projects, during engineering, quotation, planning, design, production, and implementation phases.

A particular and very significant aspect of these agreements is procedures, methods, market knowledge and strategies, which make both companies highly motivated in terms of revenues and risk management. Saipem's approach proved to be a very productive method to tackle technical, organisational and human aspects. In addition to technical skills and know-how, best practices will be developed in ethics, training, HSE and sustainability areas. Since 2008, Saipem has developed purchasing from Indian vendors with more than 100% growth in 2010, by using them for the main projects of Saipem all over the world. This allows a knowledge exchange on technical aspects and know-how as well as strategic and ethical aspects in procurement process. Particularly, over 90% of total purchases from Indian Vendors is on Strategic Classes; this collaboration aims at improving basic products marketing with low technical complexity, as well as high quality items.

total ordered by criticality level

(%)



The 64% of the total ordered in 2010 was on typology strategic and critical.

experts panel comments

In order to further improve the sustainable procurement I suggest to implement a framework able to provide quantitative measures as reported in 'sustainable procurement: Emerging Issues - H. Walker and W. Philips (Into Public Proc. Conference - September 21-23, 2006)'. In particular for what concerns local content procurement, it would be wise, for example, to define the following categories:

- standard material and services;
- bulk materials;
- non standard/tailor made products;
- complex products/services.

This subdivision can highlight how the local content is moving toward more valuable and complex products and services, demonstrating an improvement in competences. In some cases this result has been achieved with the creation of joint ventures that can also manage maintenance; this approach further contributes to the development of the country.

Augusto Di Giulio

saipem people


saipem counts on its human resources

'our people, our future': a simple statement that summarises the vigour and the value of saipem's HR philosophy

Saipem is strongly working on the development of human capabilities and competences, thus enhancing a working environment with which people can identify themselves and where they can fulfil their potential, as equal opportunities based on merit criteria are given with no gender, age, ethnic or religious discrimination.

Saipem pursues this objective to maximise the value of human resources and ensure fair systems tailored to individual expectations, performance, motivation, potential and personal characteristics, by developing human resources and constantly fostering the management system.

People management system is remarkably applied all over the world, where local circumstances are always respected. The system covers employees' introduction into the company and its reality, personal development, career management and professional and managerial trainings.

More detailed information on how Saipem manages its human resources, tools and systems, including recruiting, training, development and compensation, are available on the company's website, under the section Our People of Sustainability area .

Saipem has adopted a system of Management By Objectives (MBO), whereby employees agree on the objectives which should be achieved within a particular time frame.

Specific compensation and incentive schemes concern directors, general managers and senior managers with strategic responsibilities, and critical managerial resources. Within

the MBOs incentive scheme, some objectives are related to 'sustainability topics' (e.g. safety targets are always included into the set of objectives). More details on the compensation of key managerial personnel are available in the Note number 41 of the 2010 Consolidated Financial Statements.

The following sections provide details on some initiatives implemented in the course of 2010 and mostly coordinated by the Corporate HR. Detailed programs and initiatives addressed to human resources and locally coordinated, can be found in previous Country fact sheets.

Focus on the resources for the future

In consideration of the remarkable number of young resources that joined the company over the last years, a research project on 'Generation Y' was launched in September 2009, dedicated to a better understanding of personal characteristics and motivational aspects of young people born after 1980, undoubtedly different from the ones of former generations. The project is therefore focused on the identification of the main features of this population so as to use them to redefine management and development policies, mainly aimed at ensuring attraction, development and retention of young new graduates.

The project, following a first phase of theoretical research based on the literature produced so far, focuses on the identification of the factors that better describes this 'Generation Y' phenomenon present in Saipem, through a questionnaire addressed to all the company's graduates born between the 80's and the 90's. This survey, launched in May 2010, resulted in an ongoing action plan and, at the same time, in a communication campaign on the main facts surfaced, which is aimed at making the personnel aware of the company's management. This project, which is still

the three 'i's of saipem people management model

The model of human resources management that Saipem offers to the market is based on three distinct elements: Italian spirit, international factor and integration. The Italian spirit is our typical ability to adapt ourselves to different contexts and situations and our capacity to get by to solve complex issues.

The international factor, that is our people, today represented by over 110 nationalities, of which more than 75% are locally hired workers, stands for the capability to maintain a long-term presence in some countries, even remote and border areas, as well as our strong skills to market ourselves.

Integration is somehow the union of the other two elements and entails the capacity to present ourselves with one goal-oriented model to create value for people, countries, the company and its shareholders.

What makes our model sound, is its strong integration into a more general industrial model, that determined Saipem's success over the past decade.



Dario Gallinari
Human Resources, Organisation
and IT Senior Vice President

in process, shall end with a new monitoring procedure issued for young new employees.

Engagement survey

During the first quarter of 2010, there began a project of engagement analysis addressed to all the **middle managers** working at Saipem SpA and Saipem Energy Services SpA, Saipem sa, Sofresid Engineering sa, Saipem UK and Snamprogetti Ltd.

The survey, conducted by filling out an online questionnaire, involved approximately **3,400 resources** with a total of 2,404 answers, equal to 71% of the survey sample.

The project was developed for better analysing and understanding the factors leading to resources' motivation and involvement inside the company. During this analysis, particular attention was paid to human resources evaluation according to specific factors, such as management's **leadership style**, **communication processes**, **working environment**, **professional growth opportunities**, knowledge of **HR tools** supporting the main human resources management and development systems. Considering also the results achieved in 2007 within the previous engagement analysis conducted on a far reduced number of resources, a comparison between the main facts surfaced was also possible. Therefore, the analysis results allowed a clearer identification of either the aspects perceived and recognised as the company's strengths and the elements to be improved so that human resources management and development tools can be further enhanced and developed.

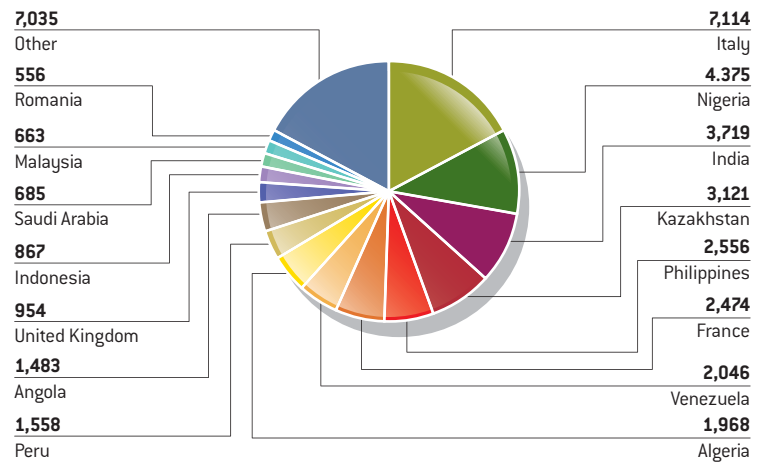
Training programs developed in collaboration with the University of Oran

In March 2010, Saipem signed an agreement with the University of Science and Technology of Oran (Algeria, already described in detail on the Algeria Country factsheet) aimed at developing a series of local content initiatives, essentially oriented to selection, training and skills development of young engineers to be employed in very critical positions within some projects currently in progress in the country.

To this day, several two-to-four-month internship programs, addressed to senior year students in mechanical, electrical and civil engineering, have been defined in collaboration with the University. They are aimed at providing resources with the opportunity to work on their graduation thesis on specific technical subjects

workforce distribution by nationality

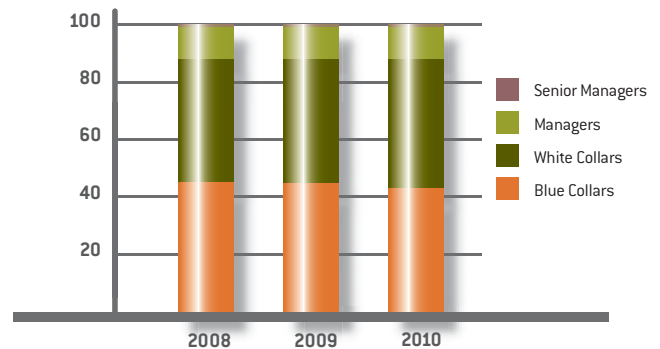
(No.)



Saipem people are from 122 nationalities, representing all five continents. More than 77% of the total workforce is locally employed.

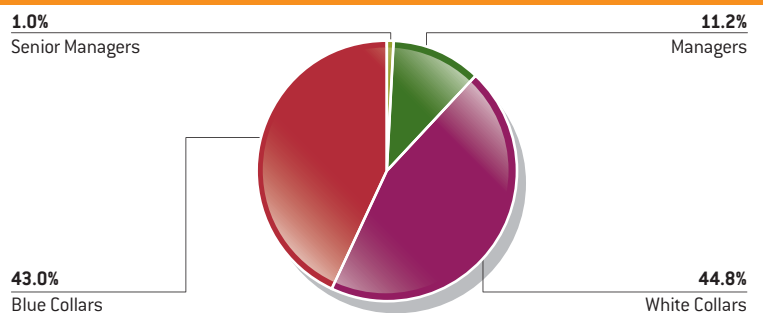
workforce composition by category

(%)



workforce 2010 by category

(%)



through a direct field experience. Moreover, such internship allows human resources to gain a first professional experience and approach Saipem's operating and organisational context, thus comparing their own competences and capabilities to the tasks previously assigned. Thanks to this experience, Saipem can use such an important and valuable period of evaluation to support its decision about a possible human resources recruitment.

In October, there was implemented a training program on project control, conducted by Saipem's and Eni Corporate University's internal teachers. This initiative allows gaining a better professional specialisation which could make some individuals join the company more easily and become operative as soon as they are employed.

Finally, in view of ensuring a wider and lasting collaboration with the University of Oran, Saipem – supported by Eni Corporate University – has planned the organisation of conferences, workshops and training courses where university teachers shall convey deeper knowledge on the main issues in engineering and contracting sectors, thus allowing the University to have access to an international network of specialistic competences of remarkable interest.

Sharing Knowledge

Saipem Intranet Portal is a tool designed and developed for communicating with all users connected to the company's network in a rapid and uniform manner, irrespective of their geographical location or nationality.

The Intranet Portal includes a dedicated channel aimed at the Sharing of Knowledge, recognising that knowledge is an important resource for reaching company goals and creating new opportunities. The Saipem Knowledge channel contains all the information and instruments which allow management and corporate knowledge sharing, thus providing employees with a fundamental resource for finding information and contacts quickly.

One of the most important opportunities to support Saipem's strategies and increase the ability to execute projects has been the standardisation and integration of business processes and systems through the implementation of a tool for internal use called IBIS (Integrated Business Information System). The IBIS Solution is a set of fully integrated systems allowing the dissemination of group-wide shared processes and organisational redesign, delivering a new operative model aligned with Saipem strategies, which helps deliver to Saipem's clients a better managed project from both a financial and logistical point of view.

Another section is dedicated to developing and spreading the project management know-how, criteria, methodologies and techniques that fit the Company's needs. These Project Management Best Practices are Project Management Process, Method or Technique, tested and measured through Performance Indicators, whose primary target is the optimisation of Cost, Time, Quality and Safety on Projects.

Furthermore, specific sections are included to share experience, knowledge and best practice on specific areas of Saipem's business, namely Risk Management, Welding, Onshore Processes and Technologies, Project Control, etc.

A section is also used for collecting, processing, filing, searching, and consulting Lessons Learned based on the experience acquired by the company. Lessons Learned are defined as every situation, whether positive or negative, occurring within the framework of the Project which, after being capitalised, becomes a Company's asset, hence a tool for optimising both times and costs in support of the preparation and planning of further Projects.

The collection of these Lessons Learned aims at:

- optimising costs and times during the early phase of the projects (e.g. constructability study);
- minimising repetition of errors in order to reduce negative impacts (costs and/or times);
- returning the acquired experiences to the Company property;
- ensuring systematic collection of acquired experiences.

International Industrial Relations

Saipem's increasing commitment to its personnel has materialised in 2010 into a more effective and centralised support to the industrial relations activities carried out at international level. With the intent of providing corporate governance to this collective dimension, the Company has implemented a more structured approach, in order to guide its worldwide companies and branches in their relations with institutions and trade union organisations. Through mapping and rationalization processes and responsibilities, the Company has generated a new communication flow from the various geographical areas towards the Head Quarters. This information flow will allow monitoring and supervising the labour regime enforced in different national contexts. While providing the local entities with a certain degree of flexibility and autonomy to comply with the relevant cultural, institutional and legal environment, the Company will ensure a common and consistent global approach on this subject. This is an area of the HR management which is drawing increasing attention from the wider stakeholder community, as well as from Governments and Authorities of those countries where multinational enterprises operate. The paradigm of the new policy entails a deeper

involvement in the collective agreement's negotiation process, a mandatory participation to critical labour issues, affecting a particular national context as well as the provision of centralised guidance and advice for industrial relations matters. It also leaves primary responsibility for labour and employee relations to a local level, and demands compliance with regional and international labour standards as well as supranational binding regulations.

In view of this, the new policy renews the commitment that the Group has undertaken with the International Framework Agreement on 'Transnational Industrial Relations and Corporate Social Responsibility' signed between Eni SpA and ICEM (International Federation of Chemical, Energy, Mine and General Workers' Union - global union federation). This agreement promotes a model of corporate growth that combines creation of value and innovation with a social and eco-compatible development. It also acknowledges the guiding principles of the 'Universal Declaration of Human Rights' of the United Nations, the conventions of the ILO as well as the Group's business principles. In today's globalised labour market, characterised by an increasing number of international institutions involved with establishing labour standards, Saipem has deemed it necessary to engage in a more centralised approach to ensure the implementation of a globally integrated employment relations practice which combines the social responsibilities of the Company with the objectives of the business.

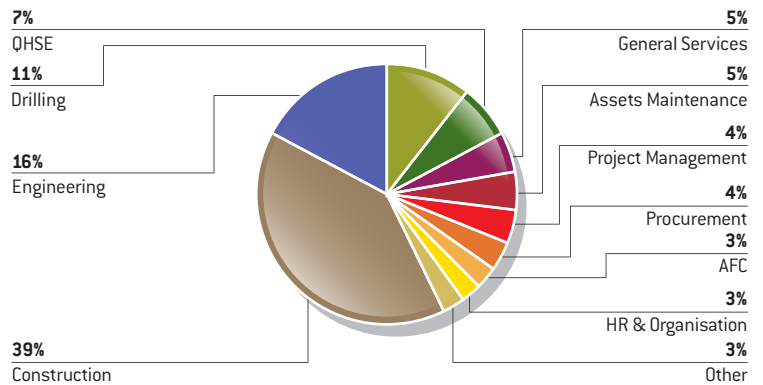
experts panel comments

Snapshot examples are illustrative of a structured HR management system which has integrated long-term objectives showing Saipem as a leading company in this area.

More consistent data describing who are those 'People of Saipem', could reinforce comprehension of this Chapter.

Cyrille Putz

workforce by main professional area (%)

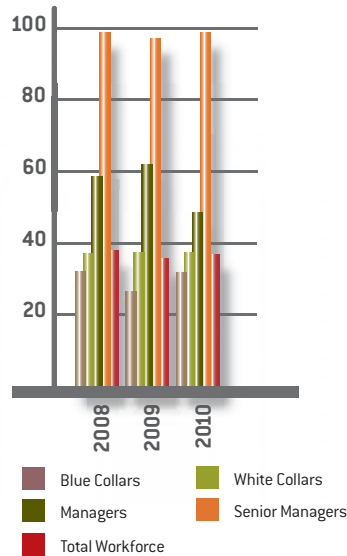


Saipem workforce has grown up from 38,052 in 2009 to 41,174 in 2010 (with a total increase of about 30% in the last four years), while the resources mix has been almost stable.

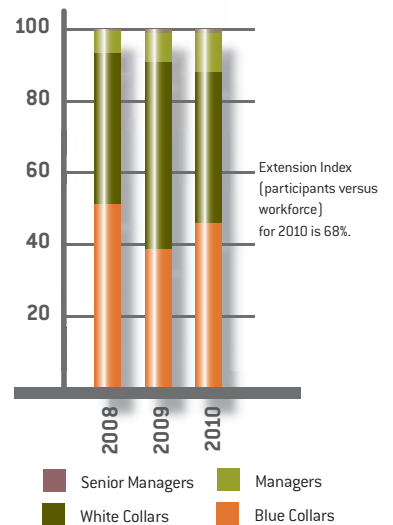
The workforce composition has remained stable during the last years, as linked with the distinct Company's operational connotation, mainly focused on its EPC competencies.

The 85% of Saipem total workforce is covered by a pension scheme, and the 100% by an insurance scheme.

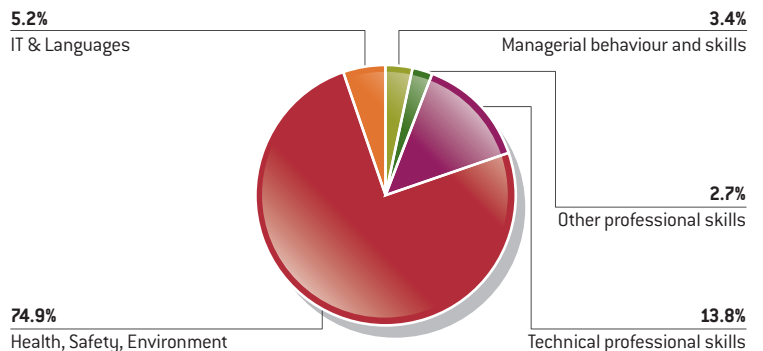
personnel covered by performance evaluation tools (%)



training participants by category (%)



training hours by educational cluster (%)



In 2010 the total number of training hours was 1.7 million. The design of the training follows the continuous evolution of the business, to close the gap between demand and supply of skills.

ensuring security for people and assets

It is Saipem's primary interest to safeguard the company's tangible and intangible assets and resources, while respecting human rights, people's dignity and ethics.

Saipem is committed to managing Security aspects in compliance with existing Policy and Principles, as per Saipem Security Guidelines.

Saipem's security policies are aligned with the values set out in the Code of Ethics and in the Company's Sustainability Policy, and constitute a core strategic value for the company's global operations, by contributing to:

- create a safe and secure workplace;
- guarantee business continuity and minimise financial losses;
- protect the management's and stakeholders' integrity and reputation.

Saipem's adherence to the indications given in the 'Voluntary Principles on Security and Human Rights' (VPSHR) is a significant step forward towards a sustainable management of security.

Consequently, the company has pursued and developed concrete actions aimed to implement, monitor, report and communicate the application and respect of the VPSHR by acknowledging the importance of Security (crucial for an international company like Saipem), promoting and respecting Human Rights, screening and monitoring carefully Security providers and training and informing internal personnel. One of the Principles on which the VPSHR are based is Risk Assessment as the process of identification and analysis of the potential risks and threats to which a Company is exposed. It is extremely important, either as a means to ensure effective protection of the Company assets and a tool providing an immediate structured support to the Business decision makers. Each level of risk identified through the risk analysis process corresponds to specific security measures to protect people and assets covering organisational, documental, as well as active and passive physical security aspects. These measures are aimed at removing (whenever possible), reducing or transferring risk, limiting the aggregate risk which the company chooses to retain to the so-called residual risk (ALARP: As Low As Reasonably Practicable).

Risk analysis and management is a six-step process that includes:

- asset identification;
- information collection;
- threat analysis;
- vulnerability analysis;
- risk analysis;
- corrective measure evaluation and risk management.

Such assessment will be conducted before the early stages of work/at the beginning of any operation in the country's internal areas and in those locations of specific interest to Saipem.

In 2010, twenty-five project risk assessments were performed by Saipem and third party companies in over 10 countries.

The Security Department's goal is also to ensure that all Saipem's assets are evaluated through site surveys and that proper security measures are taken for all its structures.

Furthermore, in 2010, 30 security plans were issued.

Programmes and implementation costs of preventive measures and security control are an integral part of business and sustainability plans/budgets.

Since 2008, a security Golden Rule 'Ensure the implementation of the instructions related to Security, as included in the Corporate Document System' has been issued, applicable to all the BUs and to the Assets function in the Commercial and Executive phases. Should any deviation be deemed necessary, the proposed alternative measures covering the bid-related or execution-related Security issues must be agreed with the Corporate Human Resources Manager or his delegated Security Manager, prior to their implementation.

Last year, Security and Sustainability Departments collaborated in providing a *practical reference framework on how to reconcile security requirements and Human Rights protection* and developed a Human Rights Security Impact assessment on a specific project, in Peru, and will be applied in the future in other geographical areas.

Further to that, Security Dept. pays particular attention to screening and monitoring Security providers, government and local communities, as well as informing and training them, as already done in Iraq and Nigeria.

Security Dept. selects Security providers in line with the company's standards and periodically evaluates their performances.

All contracts with private security companies must expressly provide for:

- **inclusion of violation of Human Rights**, as decreed by the United Nations in the Universal Declaration of Human Rights (December 10, 1948), and by the 'Voluntary Principles on Security and Human Rights', in line with the Saipem Security Policy (GL-COR-SECU-001), **as one of the causes for termination of contracts**; the inclusion has been started in 2010 on some security vendors and progressively will concern all ones;
- compliance with the existing laws;
- **actions that are only defensive and proportional to actual threats**;

- obligation to **notify** the Company when force has been employed.

The periodic meetings that the Security units hold with local communities representatives in high risk countries help create a safer climate for company operations and enable them to assess which protection measures to adopt. Meetings and informal contacts provide a useful opportunity to listen to the needs of village leaders – primarily legitimate requirements regarding employment opportunities – and create the conditions for a climate of mutual trust, which represents a key element of Saipem’s Security strategy.

Furthermore, this year the Security Dept. has launched a Security Awareness Program whose goal is to inform and spread a Corporate Security culture.

To this purpose, the Security channel within the company’s portal is maintained up to date.

Also, Security Dept. provides information to the personnel who has to work abroad, through the Security Inductions, where employees, who are visiting a foreign country for a mission or a period of work, are given specific instructions and informed, about the conditions in the country, right from the moment of departure, and the local security procedures in force. Once the employee arrives at destination, more detailed security information is provided by the local security officer through security inductions concerning local operating procedures in force.

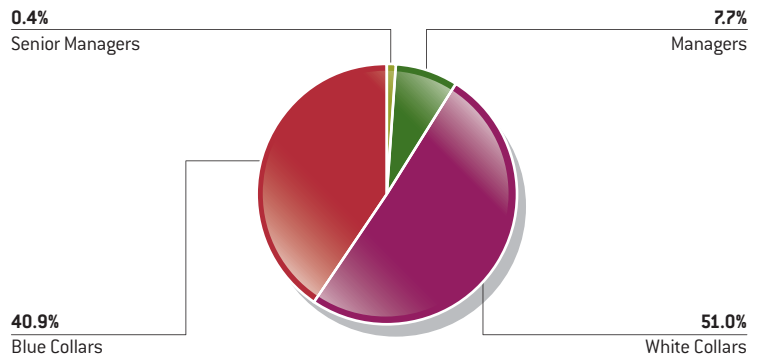
In 2010, Security Inductions attendance for travelling workforce increased by four times, compared to last year. About 400 employees were informed on Meet & Greet procedures, security rules of behaviour and precautions, local customs and culture, as well as structure and the and the supporting activity of the Security Corporate staff and lines of communication.

The whereabouts of project personnel should be known at all times. Should an evacuation be necessary, it is vital that personnel can be quickly traced, notified of the need to evacuate and then directed to the nearest muster point or safe haven.

Through the web application Site Data Centre (SIDAC), the Company has always a clear and constantly updated situation of the personnel abroad present on site, in order to guarantee a prompt intervention in case of a security event.

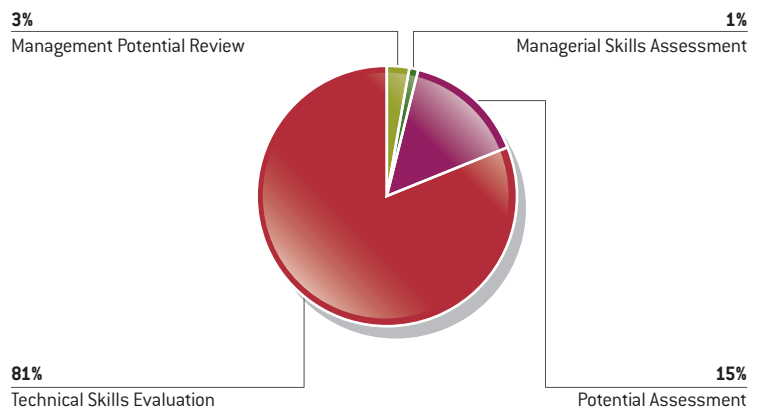
SIDAC is linked to another web tool called Global Site Tracker (GST), used to localise and track Onshore Sites, Main Offices, and vessels positions in an interactive map.

training manhours by category (%)



Training is offered across the Group and to all employee categories.

application of skill mapping tools in 2010 (%)



In 2010 a total of 1,295 employees were covered by one or more skill mapping tool. For the Blue Collars only the technical skills are evaluated. White Collars are covered by both technical skills and potential assessment evaluation. While the Managers, in addition to the previous tools, are also covered by the management potential review. The managerial skills assessment tool is used for Senior managers only.

experts panel comments

While Security Golden rules and Risks Assessment in the inclusion of bids and site management, including certain subcontractor commitments, are covered in this chapter, we could have expected stronger points and examples on commitments requested to other contractors and project stakeholders, such as clients, engineering or service provider companies or government bodies, who are directly involved in Project Management. Furthermore, it is stated that ‘Throughout 2010, Security has been more involved in such stages of the business’ - short examples could be also welcome to flesh out this point in future reporting.

Cyrille Putz

committed to health promotion

Saipem enhanced its Health Management System and programs in order to achieve high levels of satisfaction, not only among the company's employees but also for the entire organisation involved in the company's work process. The company is developing programs which intend to improve the employees' culture and attitudes towards eHealth. It pursues development, innovation, research and recognition of all conditions that create and influence effectively people's health and wellbeing in order to achieve personal welfare and satisfaction, as well as high performances and efficient work.

A comprehensive eHealth system was established to meet the growing demands of remote health monitoring by using advanced telecommunication technologies. This leads the Company to develop its own eHealth programs that are consistent with Saipem's reality, particularly those projects in frontier areas and distant locations. Saipem Health Service is currently using applications like telecardiology, telediabetology, teleconsultation, a comprehensive electronic health record system and the Health Intranet Portal as eHealth programs.

It maintains its direction towards programs associated with Health promotion, protection and disease prevention. Health initiatives include many programs such as the Cardiovascular Disease Prevention Program, the Anti-Smoking Program and the BE.ST Program, which were implemented in operational units. In addition, Malaria Control Program was implemented in all the units operating in endemic areas.

best program

BE.ST is the acronym of Better Life Style and a program which suggests an alternative lifestyle to Saipem's employees during their work and resting time on site. The BE.ST Program includes 3 steps:

- 'Better Food' which includes the possibility of choosing healthier meals especially prepared by the catering service. The menu is based mainly on the Mediterranean diet and is adapted to different needs according to the job position, type of work or chronic diseases.
- 'Better Working Environment' aims to activate the behavioural patterns in order to keep work and resting places on site in cleanliness.

Saipem Workshop - SIMVIM - Travel Medicine - S7000 Stavanger

Saipem's operating reality focuses more and more attention on healthcare protection, prevention and treatment of people, by ensuring their psychophysical integrity so that they can carry their daily working activities out in the best possible way. In order to achieve this goal and stay constantly updated on a professional level, Saipem's SIMEL unit (Health in Italy and Work Medicine) addresses Universities and specialists coming from different institutions. This approach resulted in a collaboration with the Italian Society of Travel and Migration Medicine (SIMVIM - Società Italiana di Medicina dei Viaggi e delle Migrazioni), a non profit scientific body to which the best Italian specialists in infectious diseases, hygiene and work medicine converge.

Therefore, Saipem's QHSE & Sustainability Direction decided to organise an event workshop in order to seal this scientific partnership, thus representing a high-level moment to discuss issues related to employees' travelling and the best practices to be adopted on this matter.

This event was held on June 8, 2010, in Stavanger, Norway, aboard of the Saipem 7000. There, the most relevant health issues concerning our travelling human resources' health and the periods of work abroad were discussed: from infectious diseases to emergency management, to alcohol and drug use and sexually transmitted diseases. The speakers involved in this event represent the

major institutions expert on the subject, with whom Saipem often cooperates: Universities of Milan, Brescia and Rome, infectious and tropical diseases clinical centres located at the hospitals in Verona and Brescia, local health authorities in Pordenone and Taranto, Societies of Hygiene and Travel Medicine and the International Radio Medical Centre C.I.R.M. in Rome.

The benefits for Saipem – in terms of a better knowledge on issues from qualified external interlocutors, reputation and sensitivity on the matter – will be certainly important and ensure an increasing collaboration with the bodies involved. The event, which allowed the invited speakers to know closely one of Saipem's most significant operating realities, included also a supplementary speech on health in travels to foreign countries focused on the respect of cultures and communities with whom the workers have to interact. This sense of respect and confrontation, complicated and sometimes difficult, has been set into Saipem's overall Sustainability policy, that considers the relationship with communities and host cultures the cornerstone of its presence in the territory and a key factor for success and development.

The event has been complemented by the publication of the scientific proceedings of the workshop, representing a significant documentary evidence in the study of operating work medicine.



- 'Better Community' intends to create a 'table zone' similar to a restaurant/tavern, as a pleasant place where people may gather together to spend their free time.

The BE.ST Program was initially launched on the Saipem 7000 vessel in 2010, and will be implemented in Hassi Messaoud Drilling base (Algeria) and on the Saipem 3000 vessel. The participation in this program is not mandatory but strongly recommended, especially for those people with cardiovascular risks or diseases (including high blood pressure, diabetes or dyslipidemia), as well as for those who are overweight. Until now, 68 people joined to BE.ST on Saipem 7000.

cardiovascular disease prevention program

As the cardiovascular events represent the most important cause of the repatriation due to health reasons, Saipem Overseas Health Unit first designed, then developed and started implementing **Cardiovascular Disease Prevention Program (CVDPP)** in 2009. CVDPP is addressed to all employees; their participation is not mandatory but strongly recommended, especially for those people who are over 40 years old and have a specific medical history.

The scope of CVDPP is to identify, assess and control Cardio Vascular Disease Risk Factors (CVDRF), using simple methods in order to:

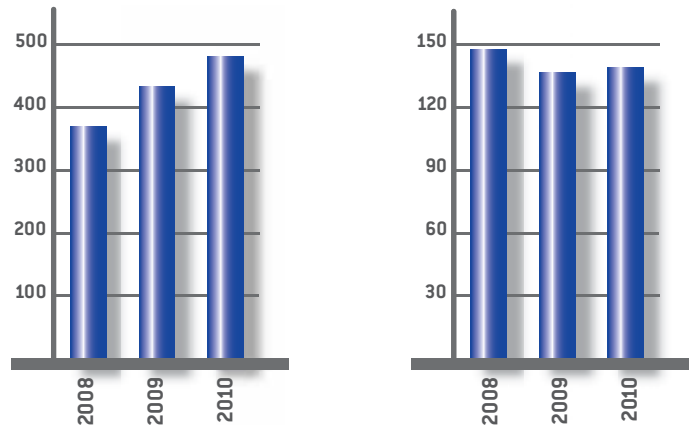
- minimise the probability of cardiovascular events to the lowest possible level for all employees working or accommodated on site;
- minimise the number of the repatriations and lost time due to cardiovascular events;
- promote a health culture among workforce;
- make employees aware of CVDRF and their consequences.

The implementation of CVDPP has five important components:

1. Informative Campaigns for employees and local management concerning the main steps of the program and CVDRF.
2. Assessment of individual CVDRF in the workforce.
3. Employees' enrolment in Risk Factor Follow up Program (RFFP).
4. Employees' follow-up in RFFP.
5. Reporting and evaluation of the results.

Telecardiology plays an important role in the CVDPP. Through a phone line, by a dedicated device and software, ECG (Electrocardiography) recordings can be sent by doctors on site, in emergency and routine cases, for

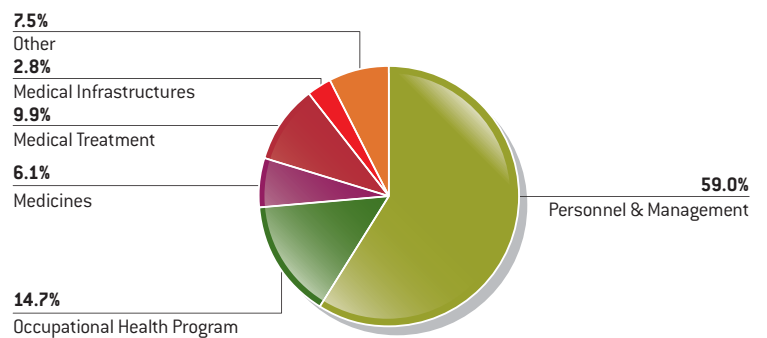
health personnel (units) trend of repatriation cases (units)



The medical personnel is composed of 482 specialised people who are presently managing health issues in Saipem's worldwide projects. Compared with the former year, this number shows 11% increase. The 72% of Saipem's hired medical staff (461) belongs to local population.

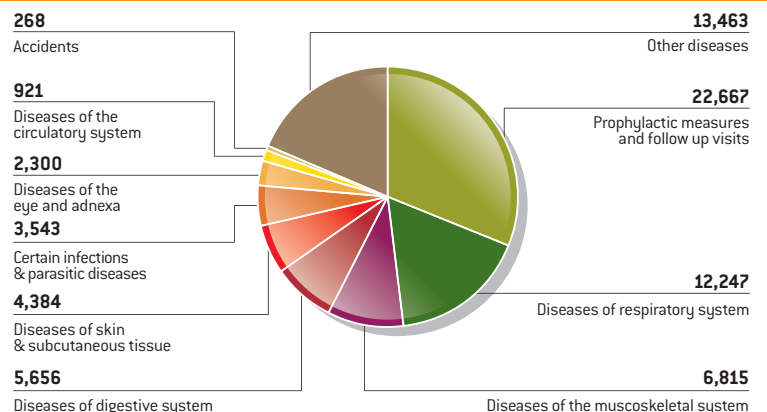
Saipem strictly monitored the repatriated cases of both Saipem's and its subcontractors' employees. During the year 2010, 139 employees were sent to their countries of origin due to health reasons: out of these, 120 employees were Saipem's and 19 were subcontractor employees. From the total number of cases, 98 employees were repatriated due to sickness and 41 because of accident consequences. 13 cases resulted in fatalities.

health expenditures by type (%)



Total health expenses spent in 2010 are equal to €26.3 million. Health personnel costs and other management expenses cover 59% of the overall total or €15.5 million. Occupational health program follows with €3.88 million and medical treatment costs of €2.6 million. In terms of geographical areas, projects in America dominated with total expenditures of €10.3 million or 39% of the overall data, followed by West Africa and Italy with respectively €5.22 million and €2.58 million.

medical cases, prophylactic measures and follow up visits (no.)



monitoring purposes, finest analysis, second opinion and further advice (if necessary) to a renowned cardiology centre in Italy.

In 2010, 923 ECG recordings were analysed through a Telecardiology program.

anti-smoking program

The Anti-Smoking Program intends to make aware Saipem's employees of the unhealthy effects of this habit and offer support to those who want to quit smoking. The participation in this program is not mandatory but strongly recommended, especially for those people with other cardiovascular risk factors or strong addiction to smoking. Anti-smoking posters and leaflets have been distributed to operating sites to be displayed in strategic places such as recreation areas to enhance No-Smoking culture within the company. QHSE Health portal dedicated a webpage to this Anti-Smoking campaign.

Even if it started as a separate program in 2009, Anti-Smoking is integrated within CVDPP, the most undesirable effect of smoking being related to heart diseases.

The Anti-Smoking Program consists of:

1. Informative Campaigns on unhealthy effects of smoking and advices for those who want to stop smoking. These campaigns are also intended to make people aware of risks and effects of passive smoking.

2. Smoking habit assessment in the workforce and enrolment of those who want to join in the Stop Smoking Program.
3. Support for people enrolled in the Stop Smoking Program through counselling and Nicotine Replacement Therapy, which should decrease addiction to smoking.
4. Reporting and evaluation of the results.

The most important aspect is not the enrolment in the Stop Smoking Program but the period of participation and, eventually, smoking cessation. The most difficult challenge is not to quit smoking on a certain day, but to avoid this habit as far as possible, preferably for a lifetime. A person truly becomes a non-smoker only after 365 days with no (zero) cigarettes.

malaria control program

The Malaria Control Program (MCP) is implemented in high risk malaria areas where Saipem is operating. The participation in this Program is mandatory for all employees working in Saipem sites, including subcontractors.

The goal of MCP is to minimise the exposure to this disease, being focused especially on prevention. The core idea of MCP is based on 'ABCD' plan: A (Awareness), B (Bite prevention), C (Chemoprophylaxis), D (Diagnosis and Treatment).

All forty-two Saipem's sites and projects located in high-risk malaria areas have been included in the Malaria Control Program,

Pre-travel Counselling Program

As Saipem's workplaces are located worldwide in remote areas with a high risk of infectious diseases, the company promotes and supports health, safety and security of its employees' focusing on the creation of a strong 'culture of care'.

Some years ago Saipem's Medical Department began exploring the medical requirements and recommendations that would better ensure healthy working-travel. This initial exploration into travel-related illness prevention has now grown in parallel with the escalation of travelling itself, and has become a focus area of activity devoted to the maintenance of the health of Saipem's travelling workers through health promotion and disease prevention courses. Travel medicine information and awareness are now incorporated into Saipem's prevention training programs in a e-learning platform called 'Pre-Travel Counselling'. Pre-travel counselling is a fundamental step before an employee leaves for the worksite, no matter if he stays either for few days or many years in a country where there are infectious risks. Therefore, the employee receives information regarding the country risks through leaflets, health booklets for travelling workers and all the protective means (vaccinations, malaria prophylaxis, repellents, etc.). However, he receives information primarily regarding all the most important aspects of travel medicine: hygiene, safe foods and drinks, Sexually Transmitted Diseases, jet lag and travel effects, animal and mosquito bite prevention, information about safe drive and attention on cultural/religious issues.

The country profiles and their health information are updated in real time with RSS, which stands for 'Really Simple Syndication' format for distributing content on the Web and sent to us, such as Health Alert, from the most respected institutional bodies and health organisations (WHO, CDC, Ministry of Health and the Program for Monitoring Emerging Diseases). According to the Italian Law (Legislative Decree 81/2008), information for workers travelling and staying abroad is mandatory (for this reason after the counselling, they must sign a form stating to have been informed about the risks).

During the course, all vaccinations are noted down in the employee's vaccination booklet and in a health surveillance program electronically managed. In case of Country Malaria risk, he will receive information to avoid mosquito bites and the correct manner to administer chemoprophylaxis with the proper drugs (Atovaquone + Proguanil, Mefloquine, Cloroquine) and repellents. The worker has the possibility to receive the vaccination booster and continue prophylaxis in the 160 Medical Units present in the countries where he will be working.

The full implementation of prevention programs like the Pre-Travel Counselling brings an important added value to both the employee and the company. Statistics show a significant increase of workers following the course (by OnetoOne, OnetoGroup or Videoconference way) starting from 2008 (358 workers) until November 2010 (677 workers).

that was reported to be successfully implemented on all newly opened onshore sites or new coming vessels in high-risk malaria areas. In 2010, 99.85% of non-immune Saipem and subcontractors' employees working in malaria endemic countries attended the Malaria Awareness Lecture.

In Congo Saipem initiated a prevention campaign against Malaria by promoting the use of insecticide-treated mosquito nets. This strategy is based on the WHO recommendations for a permanent use of mosquito nets by the vulnerable groups and in malaria high risk zones. The campaign was addressed not only to Saipem's employees and their families, but was also extended to local communities, bush clinics, local churches and orphanages.

Additional protective measures such as permethrin impregnated clothing are recommended to all employees working in onshore environments with high and constant exposure to malarial infection. Working clothes impregnated with permethrin are distributed to employees having transit or staying on these onshore sites.

teleconsultation on offshore locations

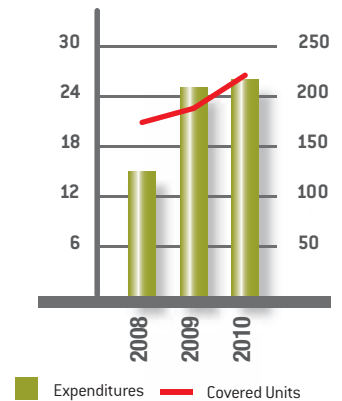
In view of constant improvement, Saipem wanted to explore the possibilities to improve the management of health on offshore location in Kazakhstan (Kashagan project), for urgent and non-urgent medical cases. This program intends to determine the feasibility of implementing teleconsultations and e-health based on the use from narrow to medium internet lines that are easily available and with relatively cheap technologies. Saipem Kazakhstan launched a pilot teleconsultation program by creating a communication bridge between an offshore operating barge (Castoro 12) and a private multidiscipline clinic (Doctor Plus) located in Atyrau. The communication tools, used to enable the data transfer between these two locations, were Skype software, digital camera, web camera and 12 channel ECG. Another aspect of the program was to monitor and verify the level of satisfaction of both users, doctors and patients/employees.

During this pilot program, the health unit carried out 34 consultations, 23 in synchronous (real time) mode and 11 in 'store and forward' one. The last were performed as part of the Cardiovascular Diseases Prevention Program. Out of 23 multidisciplinary urgent and emergency medical cases, 17 had their treatment completed offshore, while

Medical cases are monitored and recorded in Saipem Electronic Health Record GIPSI (Gestione Informatica Prestazioni Sanitarie Individuali). In spite of an increment in site coverage, in 2010 the program recorded a total of 72,264 cases, that is 8.3% decrease in recorded cases compared to the previous year (2009-78,770 cases). Prophylactic measures and follow-up visits remain leaders with 22,667 cases, followed by other diseases and respiratory diseases with respectively 13,463 and 12,247 recorded cases. 268 cases of work- and non-work-related accidents were monitored.

There is a rising trend in terms of Health expenditures and sites coverage: a 17.6% increase in number of sites involved (2009-188, 2010-221 sites) and a slight 4.36% increase in expenses compared to 2009 (€ 25.2 million).

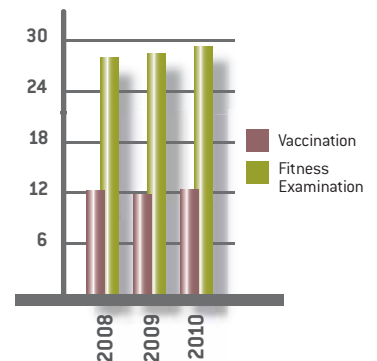
health expenditures (€ million - no.)



Vaccination is one of Saipem's key health prevention programs. Through the years, Saipem has continuously provided inoculation to its employees to different vaccines-preventable diseases. In 2010, a total of 12,450 doses of vaccines were given to Saipem's employees and its contractors, showing 4.8% rise since last year.

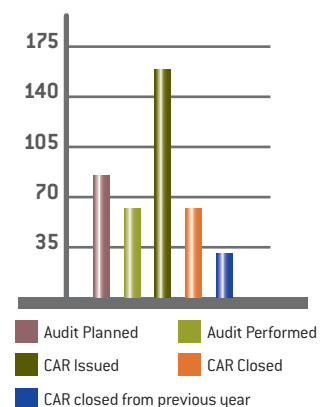
Another campaign that is part of the health prevention program, is the control of Fitness examination for all employees. Saipem Health Service performed 29,267 Medical Fitness examinations throughout the year 2010. This is a 3.1% increase, compared to previous year's data.

vaccination and fitness examination (thousand)



Health Service Management Team performs audits regularly to verify health unit's compliance with different established standards. In 2010, a total 62 sites were audited, that is the 73% of all the sites planned to be audited. From the audits performed, 159 Corrective Action Requests (CAR) were generated, of which 62 were closed. Some of these unclosed CARs are in process of rectification and still within the permissible time frame. Its data will be reported next year. A total of 31 CARs were also closed in 2010, as part of the CARs generated in 2009 audit.

health audits (no.)



experts panel comments

The consolidated data reported is of great help to better understand Saipem's Health and Safety. It goes beyond normal practice in the Industry. Whilst illustrative examples are provided from certain country or project initiatives, more

quantitative information could be populated by using data taken from other assets such as operations, yards, administrative offices as well, to strengthen reporting.

Cyrille Putz

5 patients had to be moved on shore, three of whom were hospitalised. This short and limited experience proved the efficiency and cost-effectiveness of telemedicine, even when simple technology is used, and showed a sufficient level of satisfaction for both medical personnel and employees/patients. That is why Saipem considers effective a wide use of simple tele-medical systems, combination of real time telecommunication with store-and-forward method, using from narrow to medium bandwidth Internet service.

With regard to Saipem's experience, the Company estimates valuable multidisciplinary and certified medical centres with qualified medical personnel operating on 24/7 basis. In future, the rapid development of ICT opportunities will allow teleconsultation practices to be applied to other sites in remote and isolated areas. Teleconsultation via teleconferencing proves to be a quick and effective tool in advising various doctors and patients, making clinical decisions on diagnosis, treatment, follow up/monitoring.

saipem's safety imperative

saipem leadership in health & safety

The year 2010 has been characterised by great gratification and important novelties for the Leadership in Health & Safety program, the first of which lies in its name.

'Leading in safety alone is not enough to guarantee long and productive lives. While behaving safely is indeed an obligation, staying healthy is a choice'.

Mr. Hugh O'Donnel and Mr. Sabatino De Sanctis, whose words are wholly reported in the box, announced Leadership in Health & Safety's new commitment to spreading a safety and health culture, both at workplace and in private life.

To adopt a healthy lifestyle is a principle sharable by everybody as a guarantee for a better future.

In May 2010, the LiHS Development Team presented to Saipem's Top Management the next phase of the LiHS program: in order to achieve a deeply embedded cultural change which has strengthened over time, the LiHS Development Team has created a new approach to cultural change in terms of safety and health. The next phase will focus on spreading 5 behaviours, called *Leading Behaviours*. It will be supported by an important communication campaign that will last throughout 2011. The Top Management hailed this initiative and CEO Pietro Franco Tali said important words about this issue, asking everybody to

lihs-why health?

In recent years Safety has become an embedded core value in Saipem. Today our people know that taking care of themselves and others through safety, comes FIRST! It's a challenging but immensely worthwhile achievement that we need to continuously nurture.

For Saipem 'Health Matters' too. Last year, unfortunately, 102 colleagues suffered serious illnesses whilst at work. In fact, 74% of all repatriations in Saipem were not accident-related, but resulted from long-term 'lifestyle' (i.e. preventable) health-related conditions.

Leading in Safety alone is simply not enough to guarantee long productive lives. While behaving safely is an obligation, being healthy is a choice; we may find it even tougher to develop a deeply embedded Health culture. But arguably the 'overall dividend' is also higher: the immediate statistics are



partake in and be committed to future projects.

The beginning of this new phase does not imply the end of the ongoing process, rather a strategy which is complementary to it.

The method used in the first 3 phases (Phase 1 - LiHS Workshop; Phase 2 - Cascading Events; Phase 3 - FiveStars training events) is a *top-down* approach: the message cascades, from top management to workforce.

On the contrary, the new process is based on a *bottom-up method*, founded on the emulation of safe behaviours and their spread in non formal situation, where everyone is treated as an equal.

This spreading occurs in a 'viral' way, like a virus, by imitating behaviours adopted by people who look charismatic, influential and with good relationship skills inside the company.

By integrating these two processes, Saipem expects safe behaviours to be an epidemic inside the whole organisation.

The phases of implementation of the LiHS program run at top speed, thus giving great gratifications and achieving relevant goals.

Since its beginning three years ago, during phase 1 more than 420 Workshops have been organised, with nearly

compelling; the potential benefits accrue not only throughout one's working life, but long afterwards; being healthy generally benefits not only the individual, but those closest to them; healthy employees are generally happier and more efficient. It is one of the true 'win-wins' as between a company and its people.

We can all lead in Health alongside Safety. It's literally vital to achieving our Vision of keeping ourselves and our colleagues safe and well, whatever our work.

Saipem is therefore intent on providing us with the encouragement and the opportunity to live healthier lifestyles, learning new skills that if we wish, each of us can bring home, to the benefit of our families. As a company we are well organised to do this. But it starts with each of us looking around and seriously identifying threats to our wellbeing, including the lifestyle each of us chooses. This is the right time to lead in Health – ourselves, our colleagues and our company – towards a better future.

So, in Saipem, from now on it's Leadership in Health & Safety! Inspiring a safer, and healthier future for us all.

Hugh O'Donnell (Deputy CEO),
Sabatino De Sanctis (QHSE & Sustainability Senior vice President)

safety performance

Safety performance data are continuously improving as a result of Saipem's efforts at implementing safe work practices, sharing its lessons learned and developing personnel's knowledge and competencies. The results achieved in 2010 show how these efforts were materialised in many positive safety trends in areas where Saipem has a long-term presence thanks to its operating companies. Training centres were built in order to ensure an adequate transfer of know-how and competencies to the personnel, and new safety initiatives were launched and implemented to appropriately communicate and promote safe work practices.

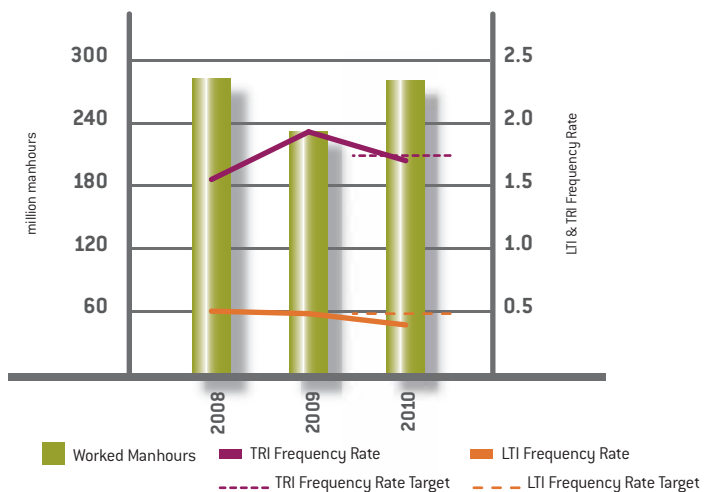
However, despite these safety achievements, negative trends were recorded and, sadly, fatal accidents still happen during operations.

In 2010, six fatalities occurred: two people were Saipem's employees and four were subcontractors. To be more precise, two accidents occurred during drilling activities and three in onshore projects (one of these with two fatalities). Fatal accidents increased, compared to the previous year, reaching 2.14 (0.86 in 2009).

The lessons learned indicate some gaps in the systems, especially those regarding subcontractor management and the implementation of HSE Management systems on new projects. On these new projects Saipem's HSE Management Systems are in the early phases of implementation, especially into subcontractors activities.

Keeping in mind the Safety vision and the future business strategy development, Saipem addressed this issue by spreading a safety message, organising dedicated meetings and HSE induction trainings, in order to ensure subcontractors understand that everyone should contribute to sustain a common effort toward a safer and better work environment.

safety performance



The Lost-Time Injuries Frequency Rate is 0.40 and Total Recordable Incidents Frequency rate is 1.71. Both indicators are calculated per million man hours worked. The established targets were achieved.

Apart from lagging indicators, Saipem's performance monitoring system includes leading indicators which are designed to manage how safety measures are implemented on a site/project.

A dedicated monitoring system was implemented in 2010 for HSE Training hours reporting. This system is aimed at ensuring adequate training sessions is implemented on projects and sites, according to the project's specific requests and needs, number of personnel, and systems identified failures.

All leading indicators are quarterly monitored against lagging indicators and their trends, together with information on accidents, give useful information about which areas need any kind of improvement.

The increasing number of Job Safety Analysis and Tool Box Talks indicates a consistent attention toward the identification of activities presenting particular risks and considered hazardous to people's health and safety, as well as communication of the best practices and safety measures to be implemented through on-the-job trainings.

experts panel comments

A lot of resources are dedicated to 'walk the talk', and various workshops and programmes are showing this trend in Saipem's policy. In the next report, some sections could be merged and shortened for a better understanding of Saipem's Health and Safety Policy and challenges.

Cyrille Putz

It is worth noting how the values of LTI and RTI achieved in Saipem projects, are hardly achieved in some industrialised countries.

Augusto Di Giulio

6,000 participants in 33 different countries.

Communication events for spreading the LiHS message to employees (phase 2) multiplied, with over 12,000 colleagues involved and dozens of managers and safety leaders working at these events locally.

Also the third phase of the program, concerning the 'FiveStars' training sessions (phase 3) has evolved, reaching as much as 300 events addressed to more than 2,000 people.

This shows how the message of Leadership in Safety has been sinking in the company, at any level, involving over 20,000 people, around half Saipem's employees.

The new sites, projects and vessels usually set up the phases of the LiHS program at the beginning of their activities, thus promoting and strengthening the growth of a safety culture for the future.

In such different realities, also clients and subcontractors are involved in spreading the LiHS program, a way to be in line with the values expressed by Saipem's Safety vision.

key events from 2010

- In April, the LiHS program was awarded another international prize for best presentation at the 10th SPE Conference (Society of Petroleum Engineers) on *Health, Safety and Environment*.

On this occasion, the Commission acknowledged CEO Pietro Franco Tali for his constant commitment to developing and supporting this program.

- On the occasion of the Day for Safety and Health at Work promoted by ILO on April 28, 2010, Senior Vice President of Human Resources, Organisation & ICT D. Gallinari sent a letter to all employees, reminding them the commitment taken with Saipem's Safety Vision and inviting them to collaborate and feel responsible for everyone's safety.
- In September 2010, the constitutional statute of the **LiHS Foundation** was signed.

Born with the goal of spreading the principles of the LiHS program, the Foundation will be managing research, training and communication activities on health and safety issues, by staying focused on leadership subjects and behavioural aspects.

It will operate inside Saipem's reality, as well as inside the Italian industrial society and the oil & gas world.

Furthermore, the areas where Saipem operates, will be involved in some social initiatives for developing



lihs

Focusing on behaviours is an intelligent idea. Focusing on emulation is the most natural way. The humanity itself evolved from humans copying each others' behaviours.

I think that we often underestimate the importance that people's behaviours have on our conduct. For example, children learn modelling adults' behaviours, but also the adults learn copying other people's behaviours. It's the only possible and most natural way to evolve.

But not all the behaviours are equal: people are more inclined to imitate the behaviours of high influential persons in their environment. People instinctively look at some people's behaviours rather than others. In our organisation we have to consider which

behaviours are more influential.

Our organisation is very multicultural and thus with many communication barriers: this is why learning through behaviours becomes a very important thing. It's very intelligent to pursue change using, in a rational and structured way, the natural tendency of some people to emulate the behaviours of others. It will certainly be difficult and require personal commitment because it is not easy to mix rational issues with things less rational. [...]



Pietro Franco Tali
Deputy Chairman and CEO

the principles whose guarantor is the Foundation.

- Eni, as well as other companies of the Group, showed interest in implementing Saipem's LiS program.

To this end, a program customization process has been created according to Eni's working reality: Eni's R&M division has been the first one to undertake this important route.

Pills of Saipem's integrated management of Health, Safety and Environmental issues

Saipem HSE Management System combines Health, Safety and Environment into a single comprehensive and harmonised overall management system. Saipem's HSE Management System is developed in compliance with: OHSAS 18001 (Occupational Health & Safety), ISO 14001 (Environmental Management System) and ISO 9001 (Quality Management System).

Considering the total of Saipem Group's operating companies (excluding immaterial subsidiaries and subsidiaries that do not have control or do not manage operating projects) 35% of them are certified OHSAS 18001, 33% ISO 14001, and 58% is certified ISO 9001. In addition, several companies are working for an extension of their certificates or for new certifications.

In 2010, Saipem started reorganising HSE training programs to be delivered to all the company's personnel. During the first step, all the subjects required to meet any demand for a training program were identified, with the identification of 70 modules divided into 8 macro-areas (International Legislation & Standards, Management System, Operational Safety, Industrial Hygiene, Health, Environmental Aspects, Behaviour). During the second step, all materials currently available at bases and yards (over 2,500 files among Power Point presentations, documents and videos) were collected and selected, with the purpose of removing duplicate files as well as obsolete and unnecessary documentation.

The final step will consist in realising – for each module, and starting from the selected material – official presentations on every topic, so as to standardise a significant process like a training program.

In 2010, both HSE vendor qualification process and HSE Requirements (Low HSE Risk - High HSE Risk - Diving Activities - Works in Docs) were reviewed.

Therefore, in 2011 Saipem has planned to organise new HSE Forums addressed to subcontractors to attentively disseminating and explaining all the changes, so as to facilitate their management for all the companies working for Saipem.

The successful implementation of Safety Hazard Observation cards in project activities indicates the attention employees are paying to a better and safer work environment. The negative trends of some leading indicators in 2010 is due to some major projects started during the year, where these tools require more time to be fully implemented.

leading indicators

	2008	2009	2010
Safety Hazard Observation Cards	195,327	239,871	347,536
Tool Box Talks	400,374	374,606	483,028
HSE Meetings	32,135	36,146	31,283
Job Safety Analysis	200,308	146,131	186,757
HSE Training Hours	1,074,231	861,623	924,046
HSE Inspections	123,853	110,173	132,911

leadership in health and safety indicators

	2007/2008	2009	2010	Total
LiS trained facilitators	29	12	19	60
Workshops performed	175	136	121	432
Number of cascading events	17	189	138	344
Number of cascading participants	400	7,872	5,198	13,470
Five Stars train the trainer	11	61	30	102
Number of Five Stars training	12	94	205	311
Number of Five Stars participants	126	1,159	1,963	3,248

Note: the LiHS data are updated on a periodic basis, not always coincident with the fiscal year. Changes can occur from year to year.

we are concerned about our environment

Saipem implements and maintains an environmental management system with the main purpose to achieve a high level of environmental protection and being always in compliance with local laws and regulations and other subscribed requirements.

Constant improvement in environmental performance during operational activities is highly encouraged by Saipem's Top Management.

Most of the choices made by Saipem during projects' development are due to Client specific requests. In any case, by virtue of its commitment to minimising environmental damage, pollution and adverse impacts, Saipem carries out Research & Development programs, performs environmental monitoring activities and puts in place mitigation measures, as reasonably applicable, even when it is not required by Contract specifications.

r&d of environmental protection technologies

Saipem has been carrying out several programs to develop environmentally friendly solutions to purify soil and water and minimise – or totally eliminate – unwanted emissions.

To give some examples:

- Saipem is about to complete, in collaboration with Eni, the construction of the first commercial unit of Ensolvex, a new proprietary technology for the remediation of soils and sediments contaminated by organic compounds, at the Eni R&M refinery in Gela, Italy;
- in collaboration with Eni, Saipem has completed the commissioning of the first semi-commercial plant to remove CO₂ from refinery streams by biofixation, using microalgae selected by Eni R&M laboratories. The biomass produced through such process will be used in the future production of biofuels;
- Saipem is applying its knowledge on individual elements of CCS (Carbon Capture and Storage) to contribute to the development of reliable process solutions. As a first step, Saipem is designing the pilot pipeline loop to study dense phase CO₂ transportation for Eni/Enel CCS alliance, to be deployed at Enel power plant in Brindisi. The know-how developed this way, will be used on a bigger project which will capture CO₂ from Enel's coal power-plant flue gas, transport it both onshore and offshore via an approximately

100-kilometre long CO₂ pipeline system, and ultimately store it offshore in a saline aquifer.

eastern bright oil recovery: a successful fast track salvage project

Project overview

In December 2007, the chemical tanker Eastern Bright sank 50 miles south of Yeosu, South Korea, at 70 m water depth. The main tanks (carrying nitric acid) were offloaded by other companies in 2008 and 2009, but fuel oil and marine diesel remained trapped in the vessel bunkers.

Consequently, the client Nippon Salvage Co Ltd asked Saipem to bid for engineering, construction and testing of required equipment and carry out all offshore operations in order to safely remove the products contained into the wreck. Saipem won the contract in March 2010.

Saipem's salvage projects background

Saipem has been a salvage project worldwide player since 2004, when the Prestige Project (offshore Spain) was successfully carried out in 3,830 metres of water depth. Over the following years, other two cargo recovery projects were performed by Saipem, primarily the Solar 1 Project (Philippines, 2006) and the

experts panel comments

Saipem's activities to protect and conserve the environment are based upon various points. In addition to R&D of new, environmentally friendlier technologies and the improvement of existing ones, the environmental awareness campaign that was launched in 2010, is an important step as it not only affects Saipem and its operations, but increases the environmental awareness of its over 38,000 employees and their families

in private life. Monitoring the effectiveness of the campaign is an important step towards sustainability. Continuing the environmental awareness campaign after the completion of the first activities will influence the perception and internalisation of those sustainable measures strongly.

Sandra Biesel

Samho Brother Project (Taiwan, 2008).

All these projects had proper peculiarities and Saipem developed solutions tailored to each one of them. For instance, to face the water depth issue (Prestige: 3,830 m, Solar 1: 650 m) a shuttle system was employed to safely recover oil from the surface.

For the Eastern Bright, the project team was composed by experienced personnel directly involved in the previous recovery projects; the technical background gained through these jobs proved to be useful to design a system suitable for the new project characteristics.

Project's technical challenges

The main technical challenges were:

- low visibility, which reached even 30 cm in certain conditions;
- strong sea currents, reaching up to 2.5 knots;
- a very tight schedule. The contract was awarded at the beginning of March 2010 and the offshore operations were planned to start on August 1, 2010. As a matter of fact, during this month at least one typhoon is statistically expected in the work area and typhoon-related downtime period may last 7-10 days. In addition, the wreck site is under the influence of monsoons during the month of September; it was therefore mandatory to accomplish the job within August.

Saipem's team composition

Saipem Singapore Pte Ltd was appointed as the main contractor for the Eastern Bright Oil Recovery project and it worked together with other Saipem/Sonsub offices in different countries in order to get the most of Saipem's cargo recovery jobs experts. In particular, ROVs (a Triton



environmental performance

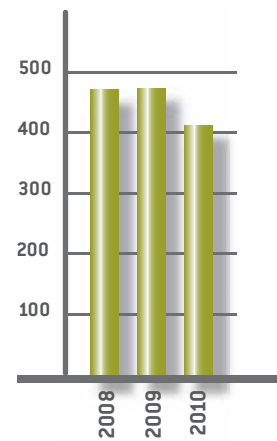
Environmental data analysis is based on the estimation of technical parameters as well as several factors, such as: climatic conditions, variations in the activities performed during the whole project period, the project size, and even the socio-economic climate affecting decisions about resource consumption and waste generation.

energy consumption

In 2010 total energy consumption in all Saipem's sites (including energy consumption deriving from subcontractors activities performed within Saipem's operating sites) decreased by 13% compared to 2009: this slight decrease is due to some variations in project activities and the closing of some major onshore projects. While in 2009 considerable amounts of electric energy and natural gas were consumed during the commissioning phases of Onshore EPIC projects, some of the projects launched in 2010 are still in the early phases of construction.

energy consumption

(ktoe)

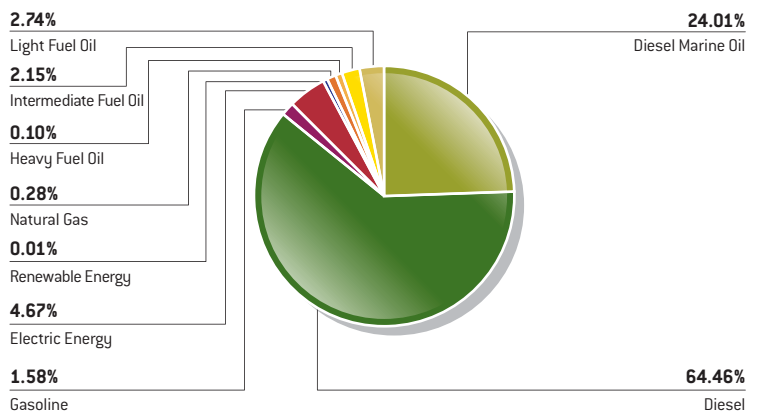


methodological note

The revision of the Corporate Environmental Reporting Standard includes changes in the reporting of energy consumption and now, it better illustrates the situation in sites and projects. A new fuel oil was added to the existing types of fuel consumed, Diesel Marine Oil, which is normally consumed on vessels. Also, according to the sulphur content rate, sulphur fuel oils were divided into three categories: Heavy Fuel Oil (Sulphur content > 1%), Intermediate Fuel Oil (Sulphur content < 1%) and Light Fuel Oil (Sulphur content < 0.3%).

energy sources

(%)



Diesel accounts for 64% of total energy consumption and Marine Diesel Oil accounts for 24%. Heavy, Intermediate and Light fuel oils account for around 5% of total energy consumption.

XL and a Discovery) and their relative crews were supplied by Sonsub Singapore Pty, while design, construction, test and mobilisation of the cargo recovery equipment were carried out by Saipem Energy Services - Sonsub, based in Venice (formerly Saipem FPSO - Sonsub Division).

This resulted in one of the key points for project success: the management was carried out by the offices in Singapore, geographically favourable for a proper client follow-up. The ROV systems were stored in Singapore's workshop, and mobilisation activities were carried out by reducing costs and time. Finally, the main engineering activities were developed by the Special Project Dept. in Venice and the construction of brand new equipment was assigned to European reliable suppliers who cooperated in the previous cargo recovery projects.

The Cargo Recovery Unit and other equipment

Prior to this project, the cargo recovery equipment was composed of a number of ROV tools (successfully employed for the Samho Brothers Project). This approach was strongly dependent on ROV pilots' skills and was not recommended for a project characterised by low visibility and strong sea currents as in the Eastern Bright wreck site.

Consequently a new machine named CRU (Cargo Recovery Unit) was conceived, in order to combine several tools into

one assembly, remotely operated from the surface and able to approach the wreck and transfer the cargo to the surface. This machine was designed with a view to the need of operating at various inclinations to fit the hull configuration. A supply vessel (called Kaiko), hired by the Client, was provided with a 300 m² twin deck for the installation of ROV and CRU equipment. The collection of recovered fluids was done by using vessel mud tanks which can be filled with more than 200 m³ of fluids. As a consequence, no other vessels were required for the operations performance, except two oil spill units on site to monitor potential spillages.

Conclusions

Despite some difficulties encountered in the first phase of the operations, fuel oil and marine diesel recovery from the Eastern Bright wreck was completed ahead of schedule, with no major leakage (no need of oil spill vessel interventions) and without accidents involving the personnel.

This project showed that oil recovery from sunken wrecks is feasible, even with a very tight schedule and economically viable.

Some achievements:

- recovery of 45 m³ of fluids;
- zero LTI;
- minimal impact on environment.

saipem's environmental management system

Saipem is aware all its activities – from planning and engineering phases, to operational activities on site – have the potential to affect environment as well as local communities. The broad environmental issues faced during Saipem operations are dealt with at both global and local levels, and include: air emissions, marine and fresh water discharges, incidents and oil spills, soil and groundwater contamination, habitat protection and biodiversity.

Saipem's projects cover even the most remote and sensitive environments, therefore it is essential to operate in a way that protects the environment. The potentially negative impacts associated with the operational activities are to be avoided, minimised or mitigated with proper care and attention, starting from the design phase and through the entire project development up to the decommissioning phase, also in compliance with local and international regulations and Clients' requirements.

Year after year, Saipem maintains and increases its commitment on preventing pollution and improving environmental performances.

Saipem establishes and maintains an Environmental Management System with the main purpose of:

- minimising the environmental impacts potentially arising from its activities;
- complying with all applicable environmental requirements.

The approach is based on a series of actions, comprising the planning and implementing ones, focused on checking adequacy and effectiveness of activities as well as on carrying out possible corrective solutions, in order to achieve a continuous performance improvement.

A focus on specific proactive environmental initiatives and performance trends monitoring is continuously promoted. In addition, Saipem Corporate encourages Operating Companies to develop, align themselves with or maintain environmental management systems in compliance with the Corporate requirements and ISO 14001 standard. Certification/registration by an accredited third party when systems are mature is highly recommended.

Saipem HSE Management System is based on a wide range of resources, with identified responsibilities, going from the CEO, through the Top Senior Management (that supports the formal management of the HSE System), to several managerial resources (at Corporate, Company and Project level) that

support the HSE System processes, to specialist resources (whose responsibility is to coordinate the implementation of the HSE System), and finally including all members of Project Management.

saipem's environmental awareness campaign

The Corporate's QHSE Department is working to promote environmentally responsible behaviours and spread it among all the personnel working for Saipem.

For this specific purpose, in 2010 an Environmental Awareness Campaign was launched worldwide.

The campaign is focused on specific issues addressing some of the potential environmental impacts connected to Saipem's operational activities (namely energy saving, oil spill prevention, waste segregation, water saving and reuse, ecological footprint minimisation).

The campaign was launched in mid 2010, contextually with World Environment Day (WED) on June 5, by sending to all Saipem's sites and projects a poster (i.e. energy saving), a Power Point presentation to be used by HSE personnel to present the initiative, and some guidelines, as further support for a proper implementation. Each poster was translated in several languages (e.g. English, Italian, Russian, Kazakh, Bohasa, Spanish, Azero, Portuguese, French, Tamil).

Other topics were/are to be spread according to the following schedule, so as to tentatively close out the campaign in the first half of 2011:

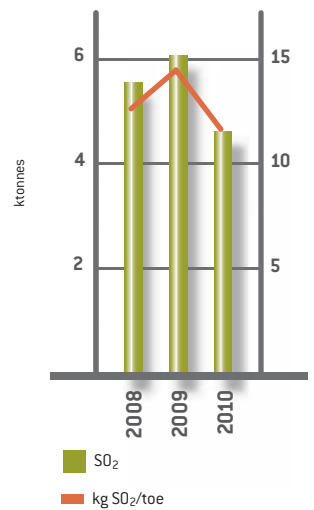
- June 2010 Energy saving;
- August 2010 Oil spill prevention;
- December 2010 Waste segregation;
- March 2011 Water saving and reusing;
- June 2011 Ecological footprint minimisation.

After distributing the material (about 70 sites were involved), the Corporate's QHSE Department started to measure the campaign effectiveness, involving the HSE Managers of each Site/Operating Companies. Feedback gotten from the campaign, also in terms of new initiatives implemented, was around 46% for the energy topic and 68% for the spill prevention topic.

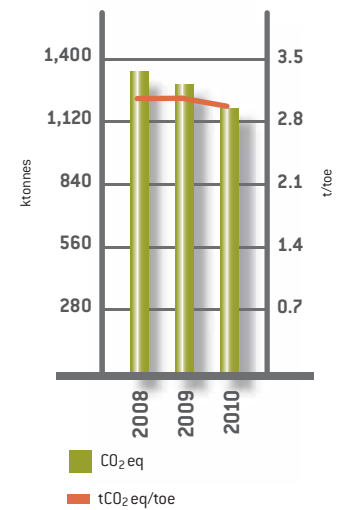
The Corporate's QHSE Department is providing continuously support for a proper implementation of the programs promoted by this campaign.

Particularly, with respect to the second topic 'Oil Spill Prevention' distributed in August 2010, the Corporate's QHSE Department warmly recommended to promote training sessions on the matter in the various sites/projects.

SO₂ emissions



ghg emissions



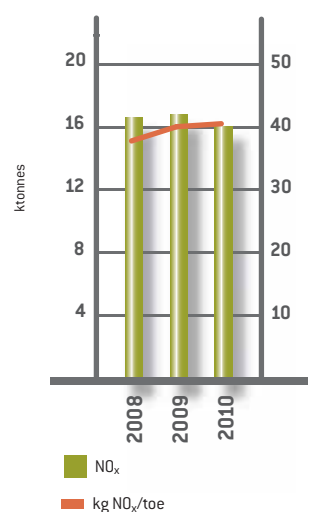
air emissions

NO_x, SO₂ and Greenhouse Gases (GHGs) emission indicators are shown in the graphs in absolute terms (in tonnes) as well as in terms of energy-related emissions (tonnes of oil equivalent). Air emissions include also emissions deriving from subcontractors activities performed within Saipem's operating sites. Variations in air emissions generally follow a decrease in energy consumption, with some peculiarities associated with each emission type.

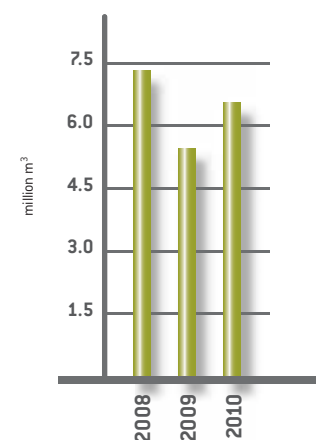
The levels of energy-related GHG emissions have stayed almost constant over the past 3 years, however an 8% decrease in the total amount of GHG emissions has been registered compared with the 2009.

Compared to 2009, the 24% decrease in the amount of SO₂ emitted in 2010 is explained by a better correlation between the fuel oils consumed in all sites and the ones required by the environmental reporting system, already explained above.

NO_x emissions



water consumption





Improvements in hazardous substances management procedures as well as in storage areas are highly encouraged. The best initiatives are promoted at corporate level.

water saving strategies in saipem's sites and projects

Saipem's environmental focus throughout 2010 was essentially on two issues:

- natural resources and energy saving;
- pollution prevention.

For instance, with particular reference to the first above-mentioned point, Saipem's QHSE Department is continuously encouraging proactive initiatives aimed at water saving. Some water saving initiatives are described hereinafter.

The water saving program in Qafco 5 Project is particularly noteworthy since it is developed in a water stressed area (having per capita water availability < 1,700 m³ per year).

oil spill prevention

Saipem is constantly committed to environmental protection, especially with respect to oil spill prevention and response strategies.

The development of suitable spill response plans (SRPs) in sites and projects, as well as training and awareness programs, are considered the most effective measures for ensuring a proper way to manage spill contingencies.

Preventing spill contingency entails taking action to reduce or eliminate environmental risks associated with handling, storage

Water saving and reuse strategies in an onshore Project: Qafco 5, Mesaieed Industrial City, Qatar

Objective

Qafco 5 Project is committed to defining and implementing water saving strategies to prevent waste, overuse, and exploitation of water resources.

Management, Operational and HSE personnel are involved in identification and monitoring water uses in order to define and put in place water-saving solutions.

Main actions

a) Technical Action: Wastewater Treatment and Reuse

The accommodation camp generates sanitary wastewater. Instead of disposing of the produced wastewater, Qafco 5 invested in a treatment system aimed at reusing most of the treated water. A biological treatment plant was installed for this purpose and a final filtration process allows the Treated Sewage Effluents (TSE) to achieve high quality criteria, analysed and monitored. This way the effluents can be collected by truck and re-used as water supply for irrigation activities and dust suppression measures necessary on site.

The main benefits include:

- **water saving:** 7,000 m³/month re-used instead of being sent to disposal;
- **cost saving:** 119,000 €/month saved by not disposing of the wastewater in a Third Party's treatment plant, and 29,750 €/month saved by not purchasing water supply from a Third Party.

b) Organisational Action: Water Saving Awareness Program

The water saving program was welcome by both the Contractor's (a Consortium between Saipem and Hyundai) and the Client's (Qafco - Qatar Fertiliser Co) Managements and supported by trainings and awareness initiatives carried out by the Project HSE Team. Suitable communication tools (e.g. posters, presentations, stickers, signboards) were developed to inform and increase the personnel awareness and a Water Loss Control program was set up to identify any potential and effective leaks or drainage issues, in order to eliminate and/or reduce to a minimum the environmental impact, the potential facilities damages and the associated costs.

Water reuse in Ersai LLC, Kazakhstan

In 2009 the Sewage Treatment Plant of the Ersai base in Kuryk was modified and expanded, thus improving the treatment process and enabling to reuse water for dust suppression and irrigation purposes. Specifically, improvements consist in the installation of additional equipment: batcher and ultraviolet lamps for water disinfection. A treated water quality improvement was recorded. The treated water is now efficiently reused for watering activities. A 'green corner' in the area of the Base was created with reused water [there were provided automatic irrigation systems].

and use of hazardous substances during operational activities. Even under the best conditions, emergency response and recovery may only be partially effective. This means that prevention is by far the most important area to be taken into account, besides being more cost-effective when compared to response and recovery. Being prepared for an emergency is pivotal to assure a quick and effective response in order to minimise the resulting impacts on environment. For this reason, training and drills are conducted in Saipem's sites and projects, at agreed intervals, to ensure effective implementation of spill response strategies.

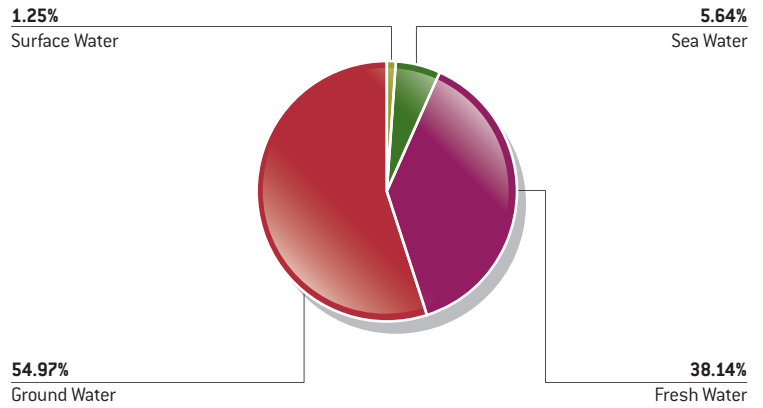
Water saving awareness campaign in Petrex, Peru

Environmental issues in Peru are mostly associated to a proper water use. About 50% of the country's drinking water is wasted through inadequate practices and many areas are facing problems associated with water shortage. In order to reinforce awareness among both workers and local communities on the importance of an adequate use of such resource, Petrex started a campaign called 'Let our job protect what life gives us', which focuses on guiding the personnel in producing their own practices to minimise water consumption, with a particular attention to drinking water

water consumption (not including non-desalinated water)

A 20% increase in the amount of water consumption was observed in 2010, compared to 2009. Such increase is primarily because of the ground water used during hydro-testing activities in Onshore Plant Projects in Africa and the Middle East.

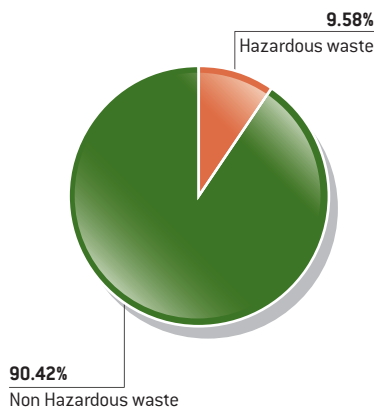
structure of water consumption (%)



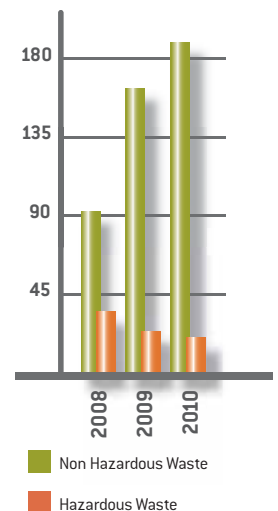
waste production

The amount of waste generated is affected by the following factors: types of activities performed in each site, different project schedules, and the number of personnel working on site during the reporting period. 209,220 tonnes of waste were generated in 2010, of which 10% is hazardous waste and 90% is non-hazardous waste. Compared to 2009, an overall 12% increase in the total waste generated is primarily a result of an increase in non-hazardous waste. The main waste types responsible for this increase, are mixed construction waste and mixed urban waste, largely generated by Onshore EPC Projects.

waste sub-type 2010 (%)



waste per type (ktonnes)



18,950.32 tonnes of waste were recycled in 2010, equal to 9% of the total waste generated in Saipem's sites. Such amount accounts for a 39% increase in waste recycling, compared to 2009. This increase can also be connected to the Waste Segregation promotion, as part of the Environmental Awareness Campaign, launched by Saipem in 2010. By increasing the segregation of waste, opportunities for recycling/reusing will be maximised and waste destined for disposal at landfills will be reduced.

2010, the year of biodiversity

Fauna & biodiversity protection in an operating project

Every year, on June 5, 2010, **World Environment Day (WED)** is celebrated worldwide. It was initiated by ONU in 1973, in order to commemorate the United Nations Conference on Human Environment, held in Stockholm in 1972.

The theme of WED 2010 was 'Many Species. One Planet. One Future'. There it was remarked the urgent call to preserve the diversity of life on the planet.

Saipem takes care of environmental impacts arising from its activities, including species preservation. Inspection and survey activities are generally carried out for such purpose, especially when operations are conducted in environmentally sensitive areas.

CEPSA La Rabida Refinery Sealine Replacement Project (Saipem Mediterranean Services) - Ornithological inspection

CEPSA intended to install a replacement pipeline system between an offshore crude oil loading buoy and their refinery in Huelva, Spain. The system has been in place since 1966 and has been subject to two former replacement campaigns.

In detail, the basic scope of the Project was the replacement of the existing 30-inch pipeline with a new 36-inch, 3.1-kilometre long pipeline, which extends from the landfall termination point to the mid line tie-in/lay down location.

It was expected that Saipem would temporarily occupy an area located within the grounds of the **Odiel Marshlands Natural Reserve**. The specific plot of land is located on the south face of the Juan Carlos I Dike that is directly connected to the coastline.



The plot is located in an environmentally

sensitive area. The presence of some species of catalogued birds and proximity to the reproductive colony of little terns (*Sterna albifrons*), make a specific evaluation necessary to discern whether the planned work and human presence on site would have affected these birds.

The terrain is a stable sandbank with occasional low grass or creeping plants. It could only host a reproduction community for birds that nest on the ground or at the base of these plant tufts. Any other species, use this area for food and no effects on them were foreseen.

In addition to little terns, the following species could use this area for reproduction: ringed plovers (*Charadrius hiaticula*), little ringed plovers (*Charadrius dubius*), kentish plovers (*Charadrius alexandrinus*), collared pratincoles (*Glareola pratincola*) and eurasian thick-knees (*Burhinus oedicephalus*).

To correctly analyse the possibility of affecting bird nesting, an inspection was carried out in the work site and the surrounding areas. The inspection used to take place before any definitive action occurred in the area, in order to avoid any potential effect. The overall objective of the inspection was to determine possible nesting species in the area, evaluate their importance for conservation and take the necessary measures to avoid affecting nesting avifauna as much as possible.

The inspection was carried out in May 2010 and was divided into three consecutive phases:

1. Visual observation from a fixed point overlooking the entire work area in order to detect the presence and/or movement patterns of birds. This was usually done in one hour in the first half of the morning, when bird activity was more frequent.
2. Detailed inspection of the entire work site terrain, by dividing it into



technology innovation

innovation for the onshore business

Saipem continues to pursue the development of unique proprietary process technologies and related know-how, as well as the advanced engineering application of most modern third-party, state-of-the-art technologies, in support of its activities in designing and building modern, world-scale, cost-effective and sustainable, new global investment projects for Saipem's customers.

For example:

- The continuing incremental performance improvements in its proprietary Snamprogetti™ Urea fertiliser synthesis technology, licensed to date, to 120 units worldwide. Following successful design and construction of the largest ammonia/urea complexes in the world, based also on the

ammonia synthesis technology from the partner Haldor Topsøe AS, Saipem is in the process of starting up the first of the four largest urea complexes in the world, based on a new single train design of 3,850 t/d, for Engro in Pakistan. Together with similar units for Qafco V and VI in Qatar and Matix in India, these will be the largest single train units in the world, allowing a significant reduction in production costs due to economies of scale. In a further development of the single train concept, a full preliminary design has also been developed for a future '5,000 Plus' t/d complex, utilising the same well-proven sequence of technologies to minimise new technology risk. A current development activity is focused on optimising piping, instrumentation and lay-out issues. Furthermore, special improved steels for the exacting urea

10 m wide longitudinal transects, and scanning the ground every 5 m on either side of the walk lines for the presence of nests or signs of nesting.

If a nest were to be detected, it would be spatially marked using location coordinates, and the species identified by direct observation or by nest characteristics.

This was usually done during the three hours following observation from a fixed point.

3. General inspection of the surrounding areas to determine the presence of possible nesting species. These inspections were carried out by random exploration of the area around the working plot. The same procedure as in the previous phase would be applied if nests were found.

The results of these three types of inspection were negative with no need of additional measures.

The only bird species detected were the crested larks (*Galerida cristata*) – by far the most common in the area – the house sparrows (*Passer domesticus*), a few European goldfinches (*Carduelis carduelis*) and the European greenfinches (*Carduelis chloris*).

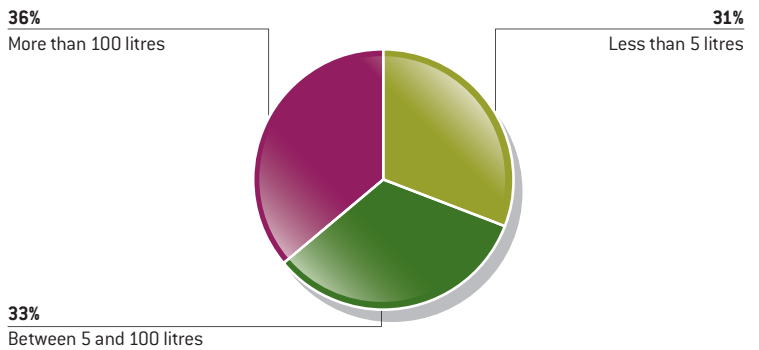
In any case, during the operations, Saipem got fenced areas designated for construction works; it was not allowed disturbing anything outside the fence limits.



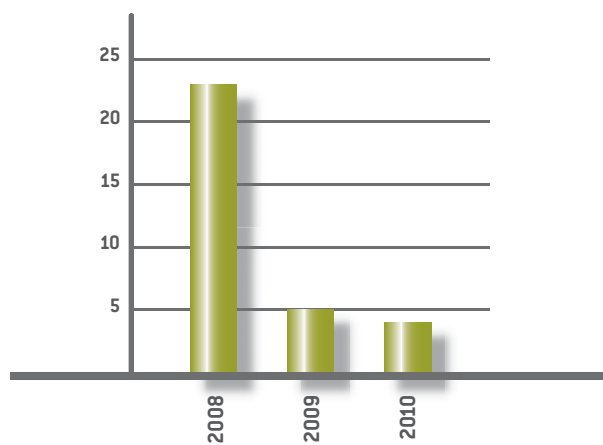
service are under investigation with the prospect of starting collaborations with a steel manufacturer. To maximise the environmentally friendliness of the process, under execution is also the design of a pilot ammonia recovery unit for the 'Urea Zero Emission Project', to be located on a slipstream in a commercial plant.

- In order to implement new solutions addressing the need to phase down MTBE in the gasoline pool, Saipem has successfully completed the process of revamping existing MTBE synthesis units in Eni refineries into ETBE production for biofuels. It has confirmed flexibility and reliability of the proprietary Saipem/ Ecofuel etherification technology, both in standard and unconventional units.
- In the proprietary process to crack MTBE to produce

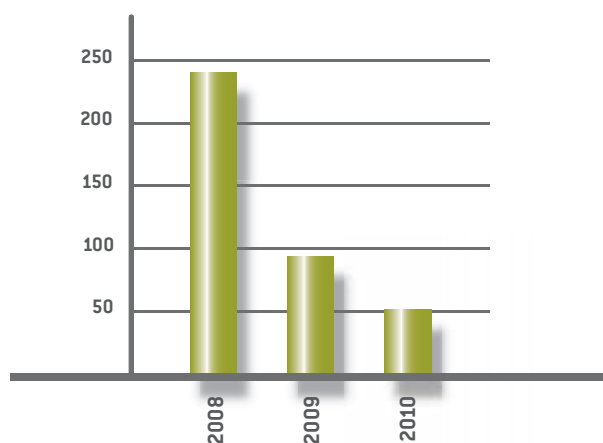
total spills (%)



chemical spills (no.)



oil spills (no.)



spills

The overall number of spills kept declining also in 2010, as a result of all the efforts Saipem has been making to prevent this kind of incidents. The Oil Spill Prevention Program, together with constant monitoring and reporting of all environmental incidents, led to a continuous decline in oil and chemical spills. A total of 51 oil spills and 4 chemical spills were reported in 2010 in all Saipem's sites, accounting for a 44% reduction compared to 2009. 64% of the total number of spills are spills under 100 litres.

high purity isobutene, among several new technology developments there was a certification of a new catalyst manufacturer, according to the recently developed and much improved catalyst preparation procedure, so as to satisfy proprietary catalyst supply requirements for two new licenses in India and Taiwan.

Saipem also continues to provide engineering and project management support to Eni for technology development and commercial-scale implementation of several Eni proprietary R&D programs, foremost for the EST – Eni Slurry Technology – the first full size commercial unit, currently in construction at the Eni R&M refinery in Sannazzaro, Italy.

For additional technology innovation programs by Saipem, please refer to the section on R&D for Technologies for Environmental Preservation.

offshore innovation

In addition to the development of asset-related technologies, Saipem R&D also encompasses client-oriented developments which aim at giving Saipem a competitive edge in the offshore market. The main thematic areas include Deepwater field developments with focus, on the one hand, on solutions to allow

economical and sustainable development of satellite fields away from the host facility and reservoirs with difficult oils (viscosity, temperature, pressure...) and, on the other hand, on valorisation of stranded offshore gas (FLNG).

The main subjects are:

- Subsea Processing, where activities are focused on the development of proprietary subsea separation solutions. For instance, the Multipipe separator system is now in a further design phase after two successful test campaigns. Its development is followed and sponsored by several major operators.
- SURF (Subsea Umbilicals, Risers and Flowlines), where works go on with the development of proprietary riser solutions for all water depths or with the qualification of new insulating materials.
- Offshore Floating LNG, where emphasis is put on the development of an efficient offshore offloading system, to be fully qualified by 2013.
- Offshore renewables, with ongoing activities both on offshore wind and current turbines. Actually, the Sabella D10 project – i.e. a full scale 500 kW prototype nearby the Ushant Island in France – received a substantial financing help from the French government at the end of 2010.



Massimo Mele - Libya, Seagulls go home or come back

methodological note

The Sustainability Report was drafted in accordance with the Reporting Guidelines of the Global Reporting Initiatives, version G3. In order to define the contents of the document, 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.

report content

The 2010 Sustainability Report contains the description of the 2010 Sustainability initiatives and, whenever possible and should it be necessary, the assessment of the performance trends during the 2008-2010 period, to better highlight the trend's significance through time.

The selection of information and indicators presented within this Sustainability Report has been made by the Sustainability Team, that coordinates the document's editing, and by the Sustainability Committee, according to stakeholders' expectation analysis.

Scope of this materiality analysis is to select the information to be entered in the Report, defining the topics deemed most relevant and significant for the Company and for all the stakeholders.

The analysis is based on a cross-functional work, that mainly concerns the Sustainability team (at Corporate and local level) and the Sustainability Committee.

The interest and significance level of the subject matters arise from the context within which Saipem operates and from the expectations that characterise its sector.

The analysis carried out to define the level of significance of the Sustainability topics moves from the Company's short and long-term strategy and takes into consideration:

- the issues of the surveys sent to the companies by Sustainability Indexes and financial rating agencies for the assessment of Sustainability performances;
- other sources of public information coming from institutions and governments, NGOs, associations, both at international and local level;
- benchmark analysis and monitoring of the oil&gas sector.

perimeter of report

The consolidation perimeter of the sustainability reporting corresponds to the perimeter of the financial reporting. The data included in the Report, unless otherwise specified, refer to Saipem SpA and its consolidated subsidiaries, including companies managed under joint operating agreements.

Data of consolidated subsidiaries, with the exception of financial data, are included based on the operational control approach. That means that Saipem accounts for 100% of data from operations over which it or one of its subsidiaries has operational control. Moreover, for the HSE data*, immaterial subsidiaries and subsidiaries whose activities do not produce significant effects are not included in the perimeter of reporting. For financial data, in line with the methodology of the consolidated financial statements, data from operating companies are included on a line-by-line proportional basis.

reporting process

The data included in the Report come from the company's official management and reporting systems of the different functions, whose subjects are therein discussed. The main part of the data is collected by means of dedicated applications, that guarantee the reliability of the flow of information. Information and quantitative data collection process was organised to guarantee data comparison along a number of years, in order to provide an accurate reading of the information and a comprehensive vision to all the stakeholders concerned with the development of Saipem's performance.

Moreover, a specific web tool on Saipem's sustainability data and KPIs was developed starting from 2010, in order to allow an easier comparison with other organisations.

(*) The following three operating companies are excluded from the reporting of HSE data: Saipem Libya Limited Liability Company - SA.LI.CO. Llc, Saipar Drilling Co BV, Saipem Triune Engineering Pt.

glossary & calculation formula

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.

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.

GHG emissions

Greenhouse Gases emissions. The Methane is converted into CO₂ equivalent using a Global Warming Potential (GWP) of 24.

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.

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.

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.

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.

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.

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

CDC: Centres for Disease Control and Prevention	Offloading vessel	PPE: Personal protective equipment
CIS: Commonwealth of Independent States	GHG: greenhouse gas	QHSE: Quality Health Safety and Environment
EPC: Engineering Procurement & Construction	GRI: Global Reporting Initiative	ROV: Remotely Operated Vehicle
EPCI: Engineering Procurement Construction & Installation	HSE: Health Safety Environment	toe: tonnes of oil equivalent
ETBE: Ethyl tert-butyl ether	ILO: International Labour Organisation	USD: US Dollar
FEED: Front End Engineering Development	ktoe: thousand metric tons of oil equivalent	WHO: World Health Organisation
FLNG: Floating Liquefied Natural Gas	mmbbl/d: million barrels per day	
FPSO: Floating Production, Storage and	MTBE: Methyl tert-butyl ether	
	MW: megaWatt	
	NGL: Natural Gas Liquids	

gri application level








The following pages provide information on Saipem’s use of the Global Reporting Initiative (GRI) G3 Sustainability Guidelines. Saipem has declared a B+ application level for its 2010 Sustainability Report.

With regard to the location of specific information, the table refers to the relevant pages of the 2010 Saipem sustainability Report, and indicates also information that is reported on the 2010 Consolidated Financial Statements, the Code of Ethics and the Corporate governance report and shareholder structure, available on the www.saipem.com website.

Report Application Level	C	C+	B	B+	A	A+
Standard Disclosures	G3 Profile Disclosures OUTPUT Report on: 1.1 2.1 - 2.10 3.1 - 3.8, 3.10 - 3.12 4.1 - 4.4, 4.14 - 4.15		Report on all criteria listed for Level C plus: 1.2 3.9, 3.13 4.5 - 4.13, 4.16 - 4.17		Same as requirement for Level B	
	G3 Management Approach Disclosures OUTPUT Not Required	Report Externally Assured	Management Approach Disclosures for each Indicator Category	Report Externally Assured	Management Approach Disclosures for each Indicator Category	Report Externally Assured
	G3 Performance Indicators & Sector Supplement Performance Indicators OUTPUT Report on a minimum of 10 Performance Indicators, including at least one from each of: Economic, Social and Environmental.		Report on a minimum of 20 Performance Indicators, at least one from each of Economic, Environmental, Human rights, Labor, Society, Product Responsibility.		Report on each core G3 and Sector Supplement* Indicator with due regard to the Materiality Principle by either: a) reporting on the Indicator or b) explaining the reason for its omission.	

*Sector supplement in final version

GRI content index	SR 2010 reference	Cross-reference	Note
1. Strategy and analysis			
1.1 Statement from CEO	p. 2		
1.2 Key impacts, risks, and opportunities	p. 8-9, 12, 13, 14, 17		
2. Organisational Profile			
2.1 Name of the organisation	cover page		
2.2 Primary brands, products, and/or services	p. 14-17		
2.3 Operational structure	p. 20	CFS p. 7-8, 85-91 🍷	
2.4 Location of organisation's headquarters	p. 6-7, 121		
2.5 Countries where the organisation operates	p. 6-7		
2.6 Nature of ownership and legal form	p. 6, 121	CFS p. 6, 85	
2.7 Markets served	p. 6-7, 82-86		
2.8 Scale of the reporting organisation	p. 6-7, 83	CFS p. 39, 123	
2.9 Significant changes during the reporting period		CFS p. 92-93	No significant changes occurred during the reporting period
2.10 Awards received in the reporting period	p. 6, 59		
3. Report parameters			
3.1 Reporting period	p. 113		
3.2 Date of most recent previous report	p. 4-5		
3.3 Reporting cycle	p. 4-5		
3.4 Contact point regarding the report and its contents	IBC		
3.5 Process for defining report content	p. 113		
3.6 Boundary of the report	p. 113		
3.7 Limitations on the scope or boundary of the report	p. 113		
3.8 Basis for reporting on joint ventures, subsidiaries and other entities	p. 113		
3.9 Data measurement techniques and bases of calculations	p. 113, 114-115		
3.10 Re-statements of information provided in earlier reports	p. 6, 87		
3.11 Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report			No significant changes occurred during the reporting period
3.12 GRI Reference Table	p. 116-117		
3.13 Independent Assurance	p. 5, 119-120		
4. Governance, Commitments and Engagement			
4.1 Governance structure of the organisation		CG p. 13-20	
4.2 Indicate whether the Chairman is also an executive officer		CG p. 26	
4.3 Independent and/or non-executive members of the highest governance body		CG p. 26	
4.4 Mechanisms for shareholders to provide recommendations	p. 87-88	CG p. 13	
4.5 Linkage between compensation and organisation's performance	p. 90	CFS p. 129 CG p. 18-19	
4.6 Conflicts of interest		CE	
4.7 Qualifications of the members of the highest governance body		CG p. 15	
4.8 Mission, values, codes of conduct, and principles	p. 78-79		
4.9 Procedures to identify and manage economic, environmental, and social performance	p. 94-95	CFS p. 56-58 🍷	
4.10 Processes for evaluating the Board's performance	p. 80	CFS p. 56-58	
4.11 Methods for addressing the precautionary principle	p. 14, 106	🍷	
4.12 Adoption of external economic, social and environmental codes and principles	p. 78		
4.13 Memberships in industry associations	p. 6-7		
4.14 List of stakeholders engaged by the organisation	p. 10	🍷	
4.15 Basis for identification of stakeholders with whom to engage	p. 10, 113	🍷	
4.16 Approaches to stakeholder engagement	p. 5, 10, 90-91, 118		
4.17 Key topics and concerns raised through stakeholder engagement and actions taken	p. 21, 24, 27, 29, 41, 48, 52-54, 57, 63-64, 66-67, 88, 90-91		
ECONOMIC PERFORMANCE			
DMA EC Disclosure on management approach			
EC1 Direct economic value generated and distributed	p. 6-7		
EC6 Policy, practices, and proportion of spending on locally-based suppliers	p. 21, 25, 32, 33-34, 36, 38, 40, 41, 44-45, 48-49, 55-56, 61, 88		
EC7 Local hiring	p. 26-28, 37-38, 45, 50, 55, 61, 58, 65, 69		
EC8 Development of infrastructure investments and services primarily for 'public benefit'	p. 20-22, 25, 28, 29, 30-31, 37, 46, 48, 53, 58, 59-60		
EC9 Understanding and describing significant indirect economic impacts	p. 30-31, 66-67		

GRI content index	SR 2010 reference	Cross-reference	Note
ENVIRONMENTAL PERFORMANCE			
DMA EN Disclosure on management approach	p. 104-106, 107-109		Corporate Sustainability Policy
EN3 Direct energy consumption by primary energy source	p. 7, 105		Direct energy consumption includes also consumptions related to activities performed by contractors within Saipem operating sites
EN4 Indirect energy consumption by primary source	p. 105		
EN6 Energy-efficient or renewable energy-based products and services	p. 104, 112		Only major initiatives are reported
EN7 Initiatives to reduce indirect energy consumption	p. 106-107		
EN8 Water withdrawal by source	p. 109		
EN12 Description of significant impacts on biodiversity	p. 110		
EN14 Strategies, current actions, and future plans for managing impacts on biodiversity	p. 36, 60-61, 110		
EN16 Direct greenhouse gas emissions	p. 7, 107		Direct greenhouse gas emissions include also emissions deriving from activities performed by contractors within Saipem operating sites
EN18 Initiatives to reduce greenhouse gas emissions	p. 104		Only major initiatives are reported
EN20 NO _x , SO _x , and other significant air emissions	p. 107		
EN22 Waste disposal	p. 7, 109 		The 2008-2010 trend by disposal method is available on Saipem KPI's Sustainability web tool
EN23 Total number and volume of significant spills	p. 7, 111		Total volume of spills is not reported because Saipem collects data on a volume range basis (<5, 5-100, >100 litres)
EN26 Initiatives to mitigate environmental impacts of products and services	p. 104, 108, 109		
EN30 Total environmental protection expenditures and investments			The data is available on Saipem KPI's Sustainability web tool
LABOUR PRACTICES			
DMA LA Disclosure on management approach	IC p. 90, 96, 100		HSE Policy available on Saipem's website
LA1 Total workforce by region	p. 6-7	CFS p. 50	
LA7 Rates of injury, occupational diseases, lost days and work-related fatalities	p. 97, 101		
LA8 Training programs concerning prevention and risk control to assist employees and communities regarding serious conditions or diseases	p. 97-99 p. 24-25, 28, 37, 42, 59, 61, 63		
LA10 Employee training	p. 7, 91, 93		
LA11 Management of employees' skills	p. 91-95		
LA12 Percentage of employees receiving regular performance and career development reviews	p. 93		
LA13 Composition of governance bodies	p. 7		
HUMAN RIGHTS			
DMA HR Disclosure on management approach	IC p. 78-79, 94	CE 	Voluntary Principles on Security and Human Rights available on Saipem's website
HR1 Agreements that include human rights clauses	p. 88, 94		
SOCIETY			
DMA SO Disclosure on management approach	IC p. 78-79	CE 	Sustainability Policy available on Saipem's website
SO1 Programs and practices that assess and manage the impacts of operations on communities	p. 14, 20-75		
SO3 Employees trained in organisation's anti-corruption policies and procedures	p. 80		
SO4 Actions taken in response to incidents of corruption	p. 79		
PRODUCT RESPONSIBILITY			
DMA PR Disclosure on management approach	p. 86-87		Quality Policy, Sustainability Policy and HSE Policy available on Saipem's website
PR1 Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures	p. 87	CFS p. 56	
PR5 Practices related to customer satisfaction, including results of surveys measuring customer satisfaction	p. 86		

Legend


CFS: Consolidated Financial Statements

CE: Code of Ethics

CG: Corporate governance report and shareholder structure

IC: Inside cover

IBC: Inside back cover

: Saipem's website

overview of the experts' panel

This part presents the experts participating in the Panel and gives a description of BSR, as manager and facilitator of the Experts' Panel. The process of Experts' involvement and commenting is described in the 'Assurance and Perspective' (page 5).

Business for Social Responsibility (BSR)



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



Sandra Biesel

In 2002 Sandra Biesel, business economist, started out in public relations, managing marketing and corporate citizenship projects for German gas providers as well as municipal utilities. Six years later she joined VNG - Verbundnetz Gas AG, Leipzig (Germany), as assistant to the member of the executive board responsible for gas procurement. In 2009 she joined the World Energy Council in London where she now works as a senior project manager/deputy head policies.



Augusto Di Giulio

Augusto Di Giulio became Associate Professor in 1985 and has been Professor of Industrial Plants since 1990. He now teaches Plant Facilities and Industrial Ergonomics at the Politecnico di Milano. The main research interests are in the field of industrial engineering, ergonomics and eco-efficiency of production systems. He has been Director of the Master 'Workplace Health and Safety Engineering', and is member of the CiErg (Research Centre in Ergonomics), a member of the Technical Committee for Ergonomics of the Italian Organisation for Standardisation (UNI) and is a vice-Chairman of the Steering Committee of ANIMP (Associazione Nazionale Impiantistica Industriale - Italian Association of Industrial Plant Engineering).



Petter Matthews

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



Arthur Minsat

Arthur Minsat is a Graduate Teaching Assistant and PhD candidate at the London School of Economics (LSE), who specialises on the issue of sanctions towards pariah states. He also delivers visiting lectures in various institutions throughout Europe, Africa, and Asia. He worked within the United Nations Operations in Côte d'Ivoire (UNOCI)'s Electoral Certification Cell, which plays a strategic role in resolving the Ivorian conflict. Arthur designed and implemented research projects with think tanks of international renown, such as the African Forum and Network on Debt and Development (AFRODAD), the Friedrich-Ebert-Foundation (FES), the Institute for Development Studies (IDS), and the European Institute for Asian Studies (EIAS). During the last eight years, Arthur additionally coordinated public relations and marketing operations at the World Bank, Wolters Kluwer, and the Economist Group.



Cyrille Putz

Cyrille Putz works as Independent Senior Consultant and Local Content Solutions Associate. He has experience with Local Content assessment and planning, local procurement & Project Supply Chain integration, CSR policy and sustainability reporting aspects, stakeholder identification and engagement. Working with oil, gas & mining industries, contractors with a special focus on food and facilities management services representing a good leverage for workforce and supplies development in developing countries. He has been involved in projects with Shell (Gabon, Europe/North Sea), Total (Angola, Nigeria), BP (Indonesia), Newmont (Ghana, Peru), Areva (Niger), Avocet Mining (Burkina Faso), Rio Tinto (Madagascar, Guinea Conakry, Australia), Barrick Gold (Tanzania), Oxiana (Lao PDR).

Cyrille was formerly Sustainable Development Manager for Sodexo Remote Sites. He developed also his supply chain logistics and community engagement expertise working in Kosovo for the European Union on the Trepca mining complex project, and under the KFOR/United Nations as Civilian Military Cooperation Officer.

Cyrille studied in France, Mexico, The Netherlands and Belgium and has a European Master Degree in Law and Economic (Rotterdam University, NL), and a Diplôme d'Etudes Approfondies (DEA) d'Analyse Economique des Institutions.

assurance statement



Reconta Ernst & Young S.p.A.
Via della Chiesa, 2
20123 Milano
Tel. (+39) 02 722121
Fax (+39) 02 72212037
www.ey.com

INDEPENDENT AUDITORS' REPORT ON THE LIMITED ASSURANCE ENGAGEMENT OF THE SAIPEM GROUP'S SUSTAINABILITY REPORT AS OF 31 DECEMBER 2010

To the Shareholders
of Saipem S.p.A.

1. We have carried out the limited assurance engagement of the Sustainability Report of Saipem Group (hereinafter "the Group") as of 31 December 2010. The Directors of Saipem S.p.A. are responsible for the preparation of the Sustainability Report in accordance with the "Sustainability Reporting Guidelines" issued in 2006 by GRI - Global Reporting Initiative, that are detailed in the paragraph "Methodological Note", as well as for determining the Group's commitments regarding the sustainability performance and the reporting of achieved results. The Directors of Saipem S.p.A. are also responsible for the identification of stakeholders and of significant matters to report, as well as implementing and maintaining appropriate processes to manage and control internally data and disclosures indicated in the Sustainability Report. Our responsibility is to issue this report on the basis of the work performed.
2. Our work has been conducted in accordance with the principles and guidelines established by the "International Standard on Assurance Engagements 3000 - Assurance Engagements other than Audits or Reviews of Historical Financial Information" ("ISAE 3000"), issued by the International Auditing and Assurance Standards Board. ISAE 3000 requires the compliance with ethical principles ("Code of Ethics for Professional Accountants" issued by the International Federation of Accountants-I.F.A.C.), including professional independence, as well as planning and executing our work in order to obtain a limited assurance, rather than a reasonable assurance, that the Sustainability Report is free from material misstatements. A limited assurance engagement of the Sustainability Report consists in making inquiries, primarily with company's personnel responsible for the preparation of information included in the Sustainability Report, in the analysis of the Sustainability Report and in other procedures in order to obtain evidences considered appropriate.

The procedures performed are summarized below:

- a) comparison between the economic and financial information and data included in the Sustainability Report with those included in the Group consolidated financial statements as of 31 December 2010, on which we issued our audit report on 29 March 2011, pursuant to art. 14 and 16 of Legislative Decree n. 39 dated 27 January 2010;
- b) analysis of processes that support the generation, recording and management of quantitative data presented in the Sustainability Report. In particular, we have carried out the following procedures:
 - interviews and discussions with Saipem S.p.A.'s management, carried out at corporate offices in San Donato Milanese (Milan), to obtain an understanding about the information, accounting and reporting system in use for the preparation of the Sustainability Report as well as of the internal control

Reconta Ernst & Young S.p.A.
Sede Legale: 00198 Roma - Via Po, 32
Capitale Sociale € 1.402.500,00 Iva
Inscritta alla S.O. del Registro delle Imprese presso la C.C.I.A.A. di Roma
Codice fiscale e numero di iscrizione 00434000984
P.I. 00891231003
Inscritta all'Albo Revisori Contabili al n. 70946 Pubblicato sulla G.U.
Suppl. 13 - IV Serie Speciale del 17/02/1998
Inscritta all'Albo Speciale delle società di revisione
Classo al progressivo n. 2 dell'elenco n. 10031 del 16/7/1997

A member firm of Ernst & Young Global Limited



- processes and procedures supporting the collection, aggregation, processing and transmission of data and information to the department responsible for the preparation of the Sustainability Report; interviews and on-site verifications at Operating Companies level have not been performed;
- analysis, on a sample basis, of the documentation supporting the compilation of the Sustainability Report in order to confirm the processes in use, their adequacy and the operation of the Internal control for the correct reliability of data and information in relation to the objectives described in the Sustainability Report;
- c) compliance analysis of qualitative information included in the Sustainability Report with the guidelines identified in paragraph 1 of the present report and of their internal consistency, with reference to the strategy, the sustainability policies and the identification of the significant matters for stakeholders;
- d) analysis of process relating to the engagement of stakeholders, with reference to the procedures applied;
- e) obtaining the representation letter, signed by the legal representative of Saipem S.p.A., relating to the compliance of the Sustainability Report with the guidelines indicated in paragraph 1, as well as to the reliability and completeness of information and data presented in the Sustainability Report.

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

With respect to data and information related to the Report of the prior year presented for comparative purposes, reference should be made to the report issued on 1 April 2010 by another auditor.

3. Based on our work, nothing has come to our attention that causes us to believe that the Sustainability Report of the Saipem Group as of 31 December 2010 is not in compliance, in all material respects, with the "Sustainability Reporting Guidelines" issued in 2006 by the GRI - Global Reporting Initiative, as stated in the paragraph "Methodological note".

Milan, Italy

8 April 2011

Reconta Ernst & Young S.p.A.

A handwritten signature in blue ink, appearing to read 'Pietro Carena', is written over a printed name and title.

Pietro Carena
(Partner)

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.com

Many of the photographs that illustrate this Report were taken by Saipem's employees who participated in the 2010 edition of the internal Sustainability photographic award.



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

Website: www.saipem.com

Operator: +39-025201

Cover:

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.com