



COUNTRY SUSTAINABILITY REPORT

ALGERIA



ABOUT THIS COUNTRY REPORT

The present report is part of the Sustainability Reports that Saipem began to publish in 2003, aware of the importance of informing stakeholders on the sustainability approach Saipem implements in the areas of the world where it operates.

The report focuses on a specific country or area and describes the principles, activities and performance achieved by Saipem and its Operating Companies toward sustainable development.

The report has been structured to provide easy access to key indicators and information. It is divided into two parts: the first part gives an overview of Saipem and its business around the world, while the second part focuses on the specific country. The latter part is composed of a first section describing the country, a second section describing Saipem's presence in the country and its sustainability approach, and finally a third section reporting the overall sustainability performance of Saipem, addressed to different stakeholders.

The report has been structured taking the GRI Guidelines as a reference, identifying those indicators most representative of Saipem presence in the country.

The Country Sustainability Reports, together with the annual Saipem Sustainability Report and the Project Sustainability Reports, represent the main Saipem tools for communicating its vision for Sustainability to all its stakeholders.

This Local Sustainability Report has been developed in accordance with the principles of materiality, stakeholder inclusiveness, sustainability context and completeness. As for the yearly Corporate Saipem Sustainability Report, this Local Report is strongly focused on stakeholders. All relevant and legitimate stakeholders in Algeria have been identified and their needs analysed. This Report is intended to describe Saipem's performance and its engagement with its stakeholders in Algeria.

A set of Key Performance Indicators (KPIs) was selected to support the information provided to stakeholders. Data is taken from the information systems used for the general management and accounting of the companies' operations or from public data made available by recognised institutions.

This Local Sustainability Report illustrates the Saipem activities in Algeria, covering the consolidated data of all projects conducted by Saipem Companies operating in the country.

All data has been reported for 2010 and, when available, for previous financial years.

Information and data updated at 2010.

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MESSAGE FROM THE CEO



Umberto Vergine

Saipem is an international Oil&Gas contractor with approximately 48,000 employees and operations in more than 60 countries.

Saipem plays a significant role in its market sector and contributes substantially to the economic development of the countries in which it operates.

We consider business sustainability to be an integral part of our strategy. Our commitment is to create long-term value for all our stakeholders, especially locally, by identifying common goals and agreeing on specific initiatives. Given

the wide range and complexity of our activities, our engagement with local stakeholders requires a comprehensive approach to sustainability. Furthermore, the variety of projects undertaken and the differences between countries where these activities are performed demand that a distinctive local approach be developed.

We publish these Reports on our Local Business Sustainability in order to favour open dialogue and enhance the development of local relationships, helping us to ensure that we operate at all times in an increasingly sustainable manner.

MISSION

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

OVERVIEW OF SAIPEM IN ALGERIA

Saipem has been present in Country since 1968, and is now one of the major actors involved in project's execution in the energy sector in Algeria.

Nowadays, Saipem is represented in the country by Saipem Contracting Algérie (SCA), registered in 2005, Saipem SpA Branch, Snamprogetti Chiyoda sas Branch and 3 permanent establishments of Saipem sa. Saipem is working mainly as Drilling Contractor and in EPC projects for onshore construction including pipelines, Oil Separation & Treatment, Oil stabilisation, Gas treatment, LNG and Chemical Plants.

Saipem has defined a vision and strategy to guarantee its long-term presence in Algeria and maintain a fruitful relation with its stakeholders.

Fundamental to fulfilling this aspiration, the strategy focuses on the development of local content and the integration between Saipem and the local economic and social structures. Saipem is committed to become a driver for the development of local companies through technology transfer and training.

Total Saipem Employees in Algeria:

2,563

Percentage of local employees over total:

76%

Total purchased from Algerian vendors:

€183 million

(Data 2010)

LETTER FROM THE MANAGEMENT



It is almost 40 years since Saipem operates in Algeria through different Companies and Branches, delivering a large range of services for the oil & gas sector.

Being proud of this strong presence, we want to share this experience with our stakeholders through the publication of this Case Study, believing that it reflects our sincere efforts to contribute in a meaningful way to the Algerian wealth and development.

On a long-term perspective, we are committed to provide our contribution to the improvement of youths' occupation and positioning in the job market, promoting competences and knowledge, being aware that youths are our future and potential.

We have also reaffirmed our belief that our most important asset is our people and their talent, thus a strong impulse has been given to their training and to the health and safety practices associated with our activities. We also manage to add or create value in the Algerian economy by involving as much as possible local vendors and subcontractors. In other words, a challenging and innovative business strategy, that matches business needs with the Sustainable Development approach, focusing on a direct and clear relationship with all stakeholders.

Our recent and future investments demonstrate that we are here to stay, hoping to have a multiplier effect and could support the country and contribute to face its economic and social challenges.

Antonio Careddu
Group Country Manager Algeria

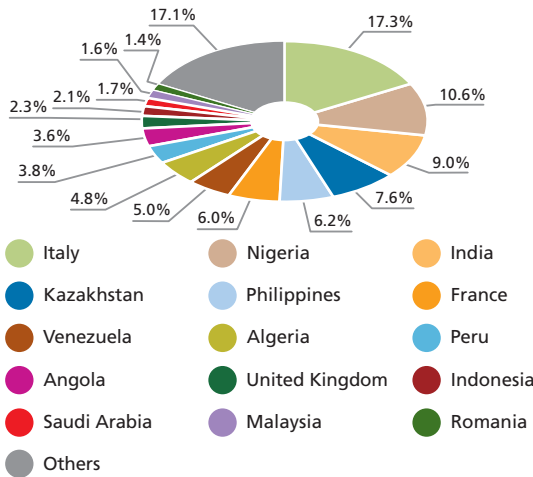
INTRODUCTION TO SAIPEM

Saipem is an international group with a strong bias towards oil and gas related activities in remote areas and deepwater.

The Company began operations in the 1950s and it is now a leader in the

provision of engineering, procurement, project management and construction services with distinctive capabilities in the design and the execution of large scale offshore and onshore projects.

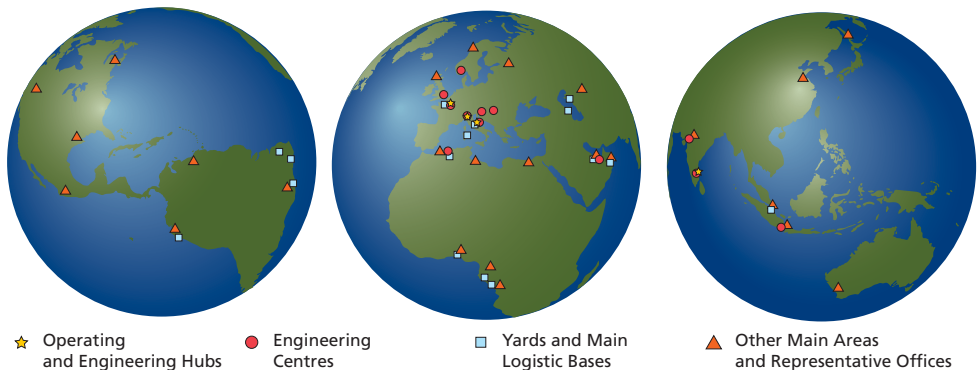
Saipem workforce distribution by nationality (2010)



Saipem is organised into two Business Units: Engineering & Construction and Drilling. It enjoys a superior competitive position for the provision of EPIC/EPC services to the oil industry both onshore and offshore; with a particular focus on the toughest and most technologically challenging projects – activities in remote areas, deepwater, difficult oil.

The Group is a truly global contractor, with strong local presence in strategic and emerging areas such as West Africa, Americas, Central Asia, Middle East, North Africa and South East Asia.

Saipem is an international company employing over 41,000 people from around 122 nationalities (2010). The majority of the Group's human resources (77% in 2010) are locally employed.



SAIPEM'S SUSTAINABILITY APPROACH

Saipem believes that a correct, open and cooperative relationship with all stakeholders is vital for the success of each complex project the Company carries out, which are frequently undertaken in very remote and challenging areas.

Saipem has a presence in many locations around the world, operating with a decentralised organisation in order to respond to local needs and sustainability issues.

Everywhere it works, the Company plays an active role in the local communities, by offering employment opportunities, and personnel training; working effectively with local suppliers and subcontractors, creating economic and

social value, and finally contributing to infrastructures construction (e.g. access roads, construction camps with all the facilities such as hospitals, power generation, etc.).

The breath of Saipem's international workforce is another facet of sustainability: all personnel are treated with dignity, and their rights, cultural values, local customs and traditions, diversity and identity are always respected.

For each project, social, economic and environmental impacts are evaluated and continuously monitored, in parallel with the pursuit of customer's satisfaction.



SAIPEM AT A GLANCE

OFFSHORE

Saipem's pioneering work in pipeline installation (over 29,000 km laid since late 1950s) is matched by its experience in installing offshore platforms, in which it has mastered both the heavy lift and the float-over techniques.

Saipem has now evolved into an integrated EPCI contractor, having completed some 120 offshore construction projects over the last ten years, including groundbreaking achievements from complex deepwater developments to major trunk line systems.

FPSO (Floating Production Storage and Offloading) units are also part of Saipem's offshore line of products, both as new-built delivered turnkey to the customer, and as tanker conversions leased to and operated for the customer, as well as marine terminals and conventional buoy moorings.

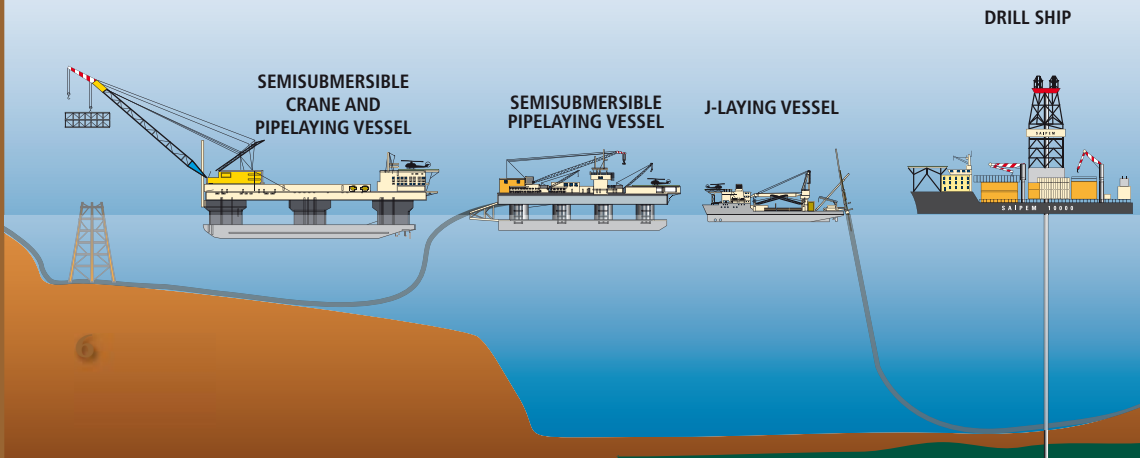
Saipem owns a strong, technologically advanced and highly-versatile fleet, and world class engineering and project

management expertise. Saipem capabilities are also supported by significant fabrication capabilities based at the core of major oil and gas provinces (Angola, Azerbaijan, Congo, Kazakhstan, Nigeria, UAE, Mediterranean Sea and Indonesia), with a potential of fabrication of 130,000 tonnes per year.

These unique capabilities and competences, together with a long-standing presence in strategic frontier markets, represent an industrial model that is particularly well suited to EPCI (Engineering, Procurement, Construction, Installation) projects.

DRILLING

Saipem vast experience in managing drilling activities, associated with an adequate technological and operational level, have progressively developed the Company's actual capabilities. Over many decades of performance, Saipem has drilled over 7,100 wells, 1,750 of which have been offshore, totalling an overall depth of about 17.8 million m.



Offshore, Saipem operates both in shallow and deep water using jack-ups, semisubmersible units, a tender assisted drilling vessel and a drill ship. For Onshore, Saipem operates with around 100 rigs self-owned.

ONSHORE

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

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

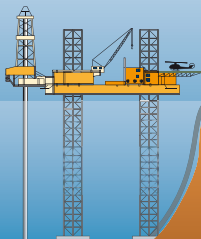
Saipem has designed and built numerous 'mega' oil & gas production facilities, 37 grass-roots refineries and more than 500 individual refining process units, as well as more than 400 plants worldwide to produce chemicals from natural gas, including the world's largest ammonia/urea complexes. In particular, land pipeline design and construction has historically been one of the mainstays of Saipem business. The Company has laid a record of 100,000 km of pipelines on five continents. In recent years, the Company has designed and constructed more than 40 power plants and four Integrated Gasification Combined Cycle plants, two of which are the world's largest, the latter with the power output of about 550 MW each.

Saipem plays also a significant role in the design and execution of a large scale civil and marine infrastructure projects, such as the High Speed Railways, port facilities and marine terminals, and it also offers integrated environmental remediation services, such as those relating to soil and ground water and contaminated sites.

SEMISUBMERSIBLE
DRILLING RIG



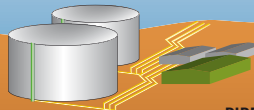
JACK-UP
DRILLING RIG



DRILLING RIG



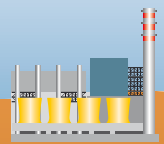
REGASIFICATION PLANT



PIPELAYING



POWER PLANT



SAIPEM IN THE WORLD

EUROPE		2008	2009	2010
Revenues	(€ million)	2,013	1,999	1,931
Investments	(€ million)	77	117	122
Workforce	(units)	10,775	10,073	10,563
Local Workforce	(% of total)	83	85	80
Energy Consumption	(toe)	77,661	72,951	78,042
HSE Training	(hours)	155,440	275,969	220,360

AMERICAS		2008	2009	2010
Revenues	(€ million)	590	598	719
Investments	(€ million)	233	45	49
Workforce	(units)	4,562	5,218	5,122
Local Workforce	(% of total)	87	79	95
Energy Consumption	(toe)	115,130	157,889	72,489
HSE Training	(hours)	74,357	113,346	125,221

SOUTH CENTRAL AFRICA		2008	2009	2010
Revenues	(€ million)	1,950	2,315	2,678
Investments	(€ million)	49	61	38
Workforce	(units)	6,471	8,160	9,487
Local Workforce	(% of total)	67	70	64
Energy Consumption	(toe)	56,633	63,411	74,948
HSE Training	(hours)	146,953	148,707	172,701

NORTH AFRICA		2008	2009	2010
Revenues	(€ million)			
Investments	(€ million)			
Workforce	(units)			
Local Workforce	(% of total)			
Energy Consumption	(toe)			
HSE Training	(hours)			

Additional data for investments

Further investments not allocated by Areas were (in € million) 1,463 in 2008, 1,211 in 2009 and 995 in 2010.

CIS		2008	2009	2010
Revenues	(€ million)	1,092	1,186	1,232
Investments	(€ million)	107	95	216
Workforce	(units)	5,566	5,603	5,115
Local Workforce	(% of total)	72	72	74
Energy Consumption	(toe)	86,502	34,221	37,883
HSE Training	(hours)	325,588	131,206	84,671

REST OF ASIA & OCEANIA		2008⁽¹⁾	2009⁽¹⁾	2010
Revenues	(€ million)	1,375	1,534	382
Investments	(€ million)	26	74	110
Workforce	(units)	3,533	3,925	3,074
Local Workforce	(% of total)	66	66	77
Energy Consumption	(toe)	34,682	64,054	28,966
HSE Training	(hours)	86,170	94,297	37,661

2008	2009	2010
1,475	1,791	2,546
8	4	9
1,783	1,749	3,107
55	69	74
35,991	32,766	49,985
47,626	45,258	106,323

MIDDLE EAST		2008⁽²⁾	2009⁽²⁾	2010
Revenues	(€ million)	1,599	869	1,672
Investments	(€ million)	81	8	6
Workforce	(units)	5,300	3,324	4,706
Local Workforce	(% of total)	96	96	83
Energy Consumption	(toe)	64,439	47,402	70,174
HSE Training	(hours)	210,281	50,112	177,109

(1) In 2008 and 2009 including also Middle East countries (except Saudi Arabia).

(2) In 2008 and 2009 including only Saudi Arabia.

ALGERIA



COUNTRY OVERVIEW¹

The second largest country in Africa, the Democratic and Popular Republic of Algeria comprises an area of 2,381,741 km² in the Maghreb (North Africa). Major cities include the capital Algiers, Oran, Constantine, and Annaba.

Algeria population totalled about 35 million at the end of 2009. Most of Algerians are concentrated in the north and live mainly in the urban areas (65% in 2007). The population is generally young, with some 35 percent below the age of 14 and just 4 percent older than 65.

The fossil fuels energy sector is the backbone of Algeria's economy (60% of budget revenues, 30% of GDP, and over 95% of export earnings); however the country has always been noted for the fertility of its soil (11.7% of Algerians are employed in the agricultural sector).

SOCIAL OVERVIEW²

Algeria has made significant progress in improving its social indicators and is on track to reach the Millennium Development Goals (MDGs). Access to basic education is improving: in 2008, the gross enrolment rate for compulsory education had reached 97.4% for 6 year-olds.

The literacy rate for adults over the age of 15 improved in 2009 to 75.4%, from 70% in 2008.

Unemployment remains high, at 10% (more than 25% among adults under 30), but employability conditions, coupled with the policy of promoting business start-ups, are tending to

improve. Recent LFC (*Lois de finances complémentaires*) also sets out a number of tax, banking and institutional incentives intended to promote activities for job and income generation, particularly for young people.

The most recent UNDP Human Poverty Index (HPI1) ranked Algeria 71st out of 135 countries, with an index of 17.5%. In this area, efforts are needed to reduce the proportion of people dying before the age of 40 to below 6.4%, reduce illiteracy among those aged 15 and more (24.6%), provide access to improved water to 95% of the population and reduce the prevalence of underweight children under five to below 4%.

- 1 Sources: UN Country Profile - US Department of State Algeria (<http://www.state.gov/r/pa/ei/bgn/8005.htm>); http://www.theodora.com/wfbcurrent/algeria/algeria_economy.html; Algeria National Statistical Office <http://www.ons.dz/-Statistiques-Sociales-.html>
- 2 Source: African Economic Outlook - Algeria.

Social indicators

Population - 2010 ⁽¹⁾	(million)	35.6
Population growth rate - 2010 ⁽²⁾	(%)	1.18
Median age - 2010 ⁽²⁾	(years)	27.1
Life expectancy at birth - 2009 ⁽¹⁾	(years)	75.5
Literacy rate - 2002 ⁽²⁾	(%)	69.9

(1) Algeria National Statistical Office <http://www.ons.dz/-Statistiques-Sociales-.html>

(2) CIA The World Factbook 2010 <https://www.cia.gov/library/publications/the-world-factbook/geos/ag.html>



Algerian rock
desert

ECONOMY AND ENERGY OVERVIEW³

The gradual liberalization of the Algerian economy since the mid-1990's has opened up the economy to private domestic and foreign participation, but recent government actions impose stricter controls on foreign investment. The business environment has improved because the public sector has been

boosted to generate a favourable macroeconomic environment. In the private sector, reforms are in progress with a goal of promoting private initiative, the development and the modernisation of the banking and financial sectors as support to the development of the private sector. Remarkable progress has been made in infrastructure, and reforms are continuing to strengthen capacities for the evaluation of major projects.

³ Sources: CIA The World Factbook 2010 - Algeria, African Economic Outlook - Algeria, US Energy information administration <http://www.eia.doe.gov/cabs/Algeria/pdf.pdf>

Economic indicators

Gross Domestic Product (GDP) (current prices) - 2010 est. ⁽¹⁾	(billion \$)	156.84
GDP (Purchasing power parity) - 2010 est. ⁽¹⁾	(billion \$)	252.93
GDP per capita - 2010 est. ⁽¹⁾	(\$)	4,417.98
Inflation rate (average consumer prices) - 2010 ⁽²⁾	(%)	5.5
Labour force 2010 ⁽²⁾	(units)	9,735,000
Unemployment rate - 2010 ⁽²⁾		10.0
Labour force by sector - 2010 ⁽²⁾	(%)	
	Trade and services	55.2
	Construction	19.4
	Industry	13.7
	Agriculture	11.7

(1) International Monetary Fund, World Economic Outlook Database, April 2010.

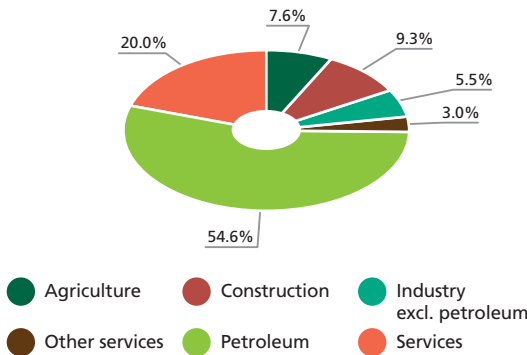
(2) Algeria National Statistical Office <http://www.ons.dz/Statistiques-Sociales-.html>

Energy supply and consumption

	Production	Imports	Exports	Consumption
Coal and Peat	-	740	-	192
Crude Oil	88,187	450	(55,002)	-
Petroleum Products	-	642	(19,334)	12,335
Gas	73,783	-	(51,259)	8,292
Hydro	24	-	-	-
Combustible Renewable and Waste	49	-	-	49
Electricity	-	24	(28)	2,578
Heat	-	-	-	-
Total (*)	162,044	1,857	(125,622)	23,447

(*) Totals may not add up due to rounding.
 All values are expressed in thousand tonnes of oil equivalent (ktoe) on a net calorific value basis.
 Source: IEA Energy Statistics, 2008 (http://www.iea.org/stats/balancetable.asp?COUNTRY_CODE=DZ).

GDP by sector (2008)



Source: African Economic Outlook - Algeria.

The hydrocarbons are the backbone of the economy. Algeria has the eighth-largest reserves of natural gas in the world and is the fourth-largest gas exporter (69% of natural gas produced is exported).

The country ranks 15th in oil reserves and is the fourth largest crude oil producer in Africa after Nigeria, Angola and Libya. Algeria is an important oil exporting country and is a member of the Organization of Petroleum

Exporting Countries (OPEC). State-owned Sonatrach controls the oil and natural gas sectors in Algeria, but has increasingly allowed greater foreign investment in the sectors. Foreign oil and gas companies have entered into numerous partnership agreements with Sonatrach, which have led to reserves and production growth.

Weak global hydrocarbon prices during 2009 contributed to a 40% drop in government revenue. While both oil production and oil exports fell, in 2009 agriculture was one of the drivers of growth outside the oil and gas sector, notably thanks to unprecedented cereal production. The industrial sector remained stagnant, while growth was good in the services, infrastructure and construction sectors, pulled by strong public demand.

ENVIRONMENTAL ASPECTS⁴

After the publication of the first National Report on the Status and Future of Environment (RNE 2000 - *Rapport National sur l'État et l'Avenir*

4 Source: Ministère de l'Aménagement du Territoire et de l'Environnement <http://www.mate.gov.dz/index.php>

de l'Environnement), the Algerian Government has been committed to implementing a National Strategy for environmental development and a National Action Plan for Environment and Sustainability (PNAE-DD).

The National Report on the Status and Future of Environment outlines the vulnerability factors of physical and institutional contexts and draws up the actual environmental conditions. It defines the major lines through which a national environmental strategy develops combined coherently with the socio-economic priorities of the country, and suggests an urgent action plan is implemented. RNE 2000 was adopted by the Council of Ministers on August 12, 2001.

Assessment results clearly show that the spread and seriousness of environmental problems in Algeria affect:

- health and quality of life of the population;

- productivity and durability of natural capital;
- resource use efficiency and economic competitiveness; and
- global environment.

As a result, these four categories are used as qualitative strategic objectives to the recommended actions. The realization of these national objectives relies on the implementation of institutional accompanying measures as well as priority investment plans.

Starting from that, Algeria decided to invest in sustainability: important investments were allowed and supported for the improvement of environmental governorship. Algeria intends focusing widely on social and ecological aspects while choosing among society and economic development models: this is the fundamental principle of the environmental strategy and of PNAE-DD.

Environmental indicators

Area ⁽¹⁾	(sq km)	2,381,741
Freshwater withdrawal - 2000 ⁽¹⁾	(thousand m ³ /y)	6.07
Freshwater withdrawal per capita - 2000 ⁽¹⁾	(m ³ /y)	185
Freshwater withdrawal per sector - 2000 ⁽¹⁾	(%)	Domestic 22 Industrial 13 Agricultural 65
Urban population with access to improved drinking water source - 2006 ⁽²⁾	(%)	87
Rural population with access to improved drinking water source - 2006 ⁽²⁾	(%)	81
CO ₂ emissions per year - 2006 ⁽²⁾	(million tonnes CO ₂ eq)	133
CO ₂ emissions per capita per year - 2006 ⁽²⁾	(tonnes CO ₂ eq)	4
Threatened species - 2008 ⁽²⁾	(No.)	75
Forested area - 2007 ⁽²⁾	(% of land area)	1
Protected areas - 2008 ⁽²⁾	(% of land area)	5

(1) CIA The World Factbook 2010 <https://www.cia.gov/library/publications/the-world-factbook/geos/ag.html>

(2) UN Statistics Division - Environment Statistics Country Snapshot: Algeria http://unstats.un.org/unsd/ENVIRONMENT/envpdf/Country_Snapshots_Sep%202009/Algeria.pdf

SAIPEM PRESENCE IN ALGERIA

With over 40 years of in-country activities, Saipem is one of the major actors involved in project's execution in the energy sector in Algeria. Saipem started its operations in Algeria in 1968 with onshore construction activities, while in 1977 first drilling operations were conducted in the south of Algeria.

In 1978 the first logistic base was opened in Hassi Messaoud.

During more than forty years of operations (1968-2010) Saipem has worked in Algeria for the construction

of 8,200 km of pipelines, drilling of over 209 wells cumulating 703,237 metres of depth, the construction of a Polyethylene Plant in Skikda, 15 Mt/y Refinery in Skikda, a Gas Treatment unit in Rhourde Nouss, a Oil Stabilization unit in Bir Rebaa Nord, 6 Pump Stations for OZ2 from Hassi Messaoud HEH (Haoud el Hamra) to Arzew and an Oil Separation & Treatment ROD (Rhourde Oulad Djemma) Project in unit in Bir Rebaa Nord.

Nowadays, Saipem performs relevant activities in Algeria through few

Saipem in Algérie





Ammonia Jetty Project

registered legal entities:

- Saipem Contracting Algérie SpA (SCA) registered in 2005, is the Operating Company of Saipem in Algeria;
- Saipem SpA Branch;
- Snamprogetti Chiyoda sas Branch.

Moreover 3 permanent establishments have been set up by Saipem sa (France) for the development of its own projects in the Country, complying with the convention between France and Algeria that avoids double taxation and establishes rules of reciprocal assistance with respect to taxes on incomes.

SCA is supporting Saipem projects in-country scope activities while developing at the same time its expertise as a stand alone Regional EPC Contractor.

As Saipem projects Regional Local Support, SCA:

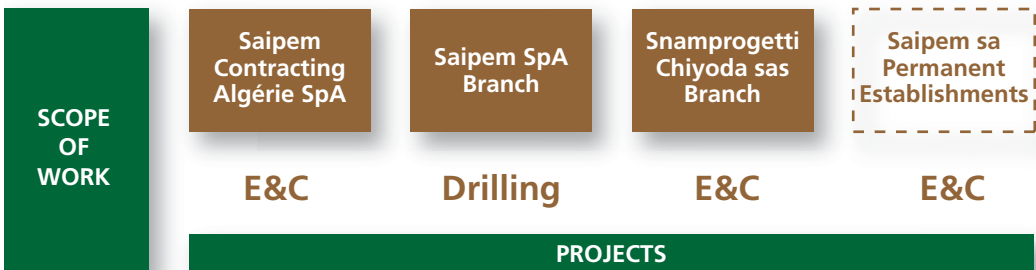
- Support Saipem Group projects for local activities and by providing Staff Functions support;

- Manage Saipem local activities through dedicated local entities (e.g. Drilling);
- Seize business opportunities by meeting demands in terms of Engineering Services activities with Saipem Group support;
- Seize business opportunities by meeting demands in terms of Maintenance, Modifications and Operations with Saipem Group support.

As Stand Alone Regional EPC Execution Centre, SCA:

- Manage on a stand alone basis Regional EPC Contracts using local resources;
- Reinforce local relationships with Oil and Gas Companies;
- Develop partnerships with local vendors and subcontractors of interest for EPC business;
- Grow and develop Engineering, Procurement and Construction managerial and technical competencies.

Operating Entities



MAIN PROJECTS

Name	Client	Saipem Companies involved	Description
Main completed projects (last 5 years)			
Hassi R'Mel - LZ2 Arzew Pipeline	Sonatrach	Saipem SpA, SCA	Contract to lay an onshore 495-kilometre pipeline (24-inch) to transport LPG from the Algerian gas field at Hassi R'Mel to the oil exporting area of Arzew. It includes also a pumping station, control room, a metering system and an arrival terminal.
Berrouaghia Power Plant	Sonelgaz Sonatrach	Saipem sa	Assembly of two gas turbines and associated alternators. EPC contract (engineering, procurement and construction) for Balance of Plant (gas processing station, control system, gasoil tanks, electrical equipment, associated utilities and civil works) in the Power plant, based on a 489 MW gas turbine.
UTBS	Sonatrach	Saipem sa, SCA	The contract includes the engineering, procurement and construction of a crude oil treatment and stabilisation plant (Unité de Traitement du Brut et de sa Stabilisation - UTBS), consisting of three stabilisation lines with a capacity of 100,000 oil barrels per-day each with separation, desalting and stabilisation, a maintenance unit, four storage units of 50,000 cubic metres each and a 45-kilometre pipeline for transporting oil, associated gas and treated water.
Projects on going			
LNG Arzew - GNL3Z	Sonatrach	Snamprogetti Chiyoda sas, SCA, Saipem SpA	EPC contract (engineering, procurement and construction) for a natural gas liquefaction plant (LNG) consisting of a line with an annual production capacity of 4.7 million tonnes of LNG. It includes also the construction of 09 Process Unit, Offshore Flare, Jetty and breakwater, LNG, LPG and Butane Tanks, 16 Buildings and over 600 Equipments.
Gas Treatment Unit MLE (Menzel Ledjmet East)	Sonatrach, First Calgary Petroleum	Saipem SpA, SCA	The contract is for providing engineering, procurement of materials and construction of a natural gas collecting and treatment centre, including the relative pipeline for exporting the gas, with a total production of 9.0 M std m ³ /day of gas, 14,000 bbl/day of LPG, 10,000 bbl/day of condensate and 8,350 bbl/day of oil. The MLE project includes mainly the construction of 24 oil/gas wells, 6 gas gathering Manifolds; a Central Processing Facility (CPF), including sales gas compression, LPG recovery, oil and condensate stabilisation products storage and pumping system, associated utilities and 4 export pipelines for sales gas, LPG, condensate and oil (overall 550 km).
LPG Unit - Hassi Messaoud	Sonatrach	Saipem sa, SCA	Contract for providing the engineering, procurement of materials and construction of three LPG lines with a total production capacity of 8 million cubic metres per day, and associated condensate production facilities and infrastructures in the Hassi Messaoud oil complex.
LDHP project - Hassi Messaoud	Sonatrach	Saipem sa, SCA	Within the framework of the LPG-LDHP initiative, the LDHP project encompasses the engineering, procurement and construction of an oil-gas separation plant and a gathering system made up of manifolds and pipelines for a total length of approximately 140 km.
GK3 Pipeline Ain Djasser Lot 3 - El Kala Skikda	Sonatrach	Saipem SpA, SCA	Contract for the GK3 - Lot 3 gasline which involves the engineering, procurement of materials and construction of a natural gas transportation system. Lot 3 consists of a system of 48-inch diameter gas pipelines for a total length of approximately 350 kilometres.

Name	Client	Saipem Companies involved	Description
Projects on going			
Ammonia Jetty - Arzew	Sonatrach	Saipem sa, SCA	Contract for providing the engineering, procurement of materials and construction of a sea terminal for the exportation of products from the ammonia and urea plant. The sea terminal consists of: Jetty of 1,200 m + Loading, Platform 60 x 260 m, 1,200 m Steel structure, supported with 60 piles, Loading Platform.
Drilling projects			
AZ 5818	GSA (Groupement Sonatrach Agip)	Saipem SpA Branch	Workover, 750 hp.
AZ 5832	GSA (Groupement Sonatrach Agip)	Saipem SpA Branch	Drilling rig, 2,000 hp.
AZ 5894	GSA (Groupement Sonatrach Agip)	Saipem SpA Branch	Drilling rig, 1,500 hp.
AZ 5892	GazProm	Saipem SpA Branch	Drilling rig, 2,000 hp.
AZ 5898	ConocoPhilips	Saipem SpA Branch	Drilling rig, 1,500 hp.
AZ 5859	OC Sonatrach/First Calgary Petroleum	Saipem SpA Branch	Drilling rig, 2,000 hp.
AZ 5893	OC Sonatrach/First Calgary Petroleum	Saipem SpA Branch	Drilling rig, 1,500 hp.



COMPANY ORGANISATION AND MANAGEMENT SYSTEM

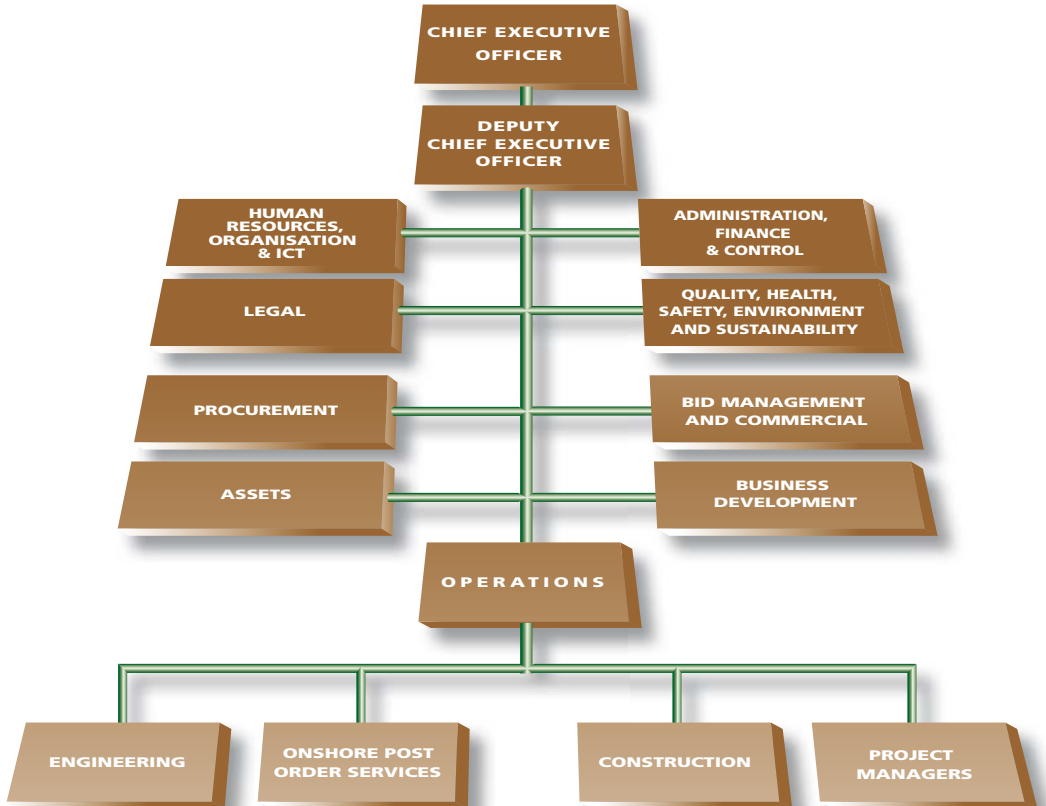
Saipem activities in Algeria are under the responsibility of the Group Country Manager, who's in charge of the promotion of Saipem capabilities with reference to business opportunities, the coordination with Corporate functions, the management and the development of resources shared by the various businesses. He is responsible of maintaining and optimising relationships with stakeholders, institutions, clients and the network of local vendors.

Saipem Contracting Algérie has a Quality Management System certified according to ISO Standard 9001:2008 since January 2011.

In the meanwhile, the HSE team is developing and implementing the HSE Management System based on Saipem Corporate guidelines and principles, international standards (OHSAS 18001:2007 and ISO 14001:2004) and local regulations, while the associated Certifications will be a major objective of the Company Management in these next few years.

With regard to Sustainability issues, at the start of implementation of

Saipem Contracting Algérie SpA organisation chart



Source: Directive No. 05/2010 Company Organisation.



LPG Project

the Sustainability Talent Program (which is based on a common Saipem framework), a 'Sustainability Facilitator' was introduced to carry out those sustainability activities related to his specific area of expertise, relative to the activities of the different units of the company. He is responsible for promoting Corporate Sustainability Policy and Principles within the Saipem organisation in Algeria and promoting, planning and carrying out sustainability activities in the territory.

THE APPROACH TO SUSTAINABILITY 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, particularly 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. Saipem is also committed to define best practices in project execution on Management, Quality and HSE and to become a driver for the development of local companies

through technology transfer and training. Fundamental to fulfilling this aspiration, the strategy focuses on the development of local content and the integration between Saipem and the local economic and social structures. Saipem Contracting Algérie (SCA) has been created to rationalise the activities in the country and to enhance support to the Saipem Group. SCA has grown rapidly and is now becoming a well established provider to the Algerian oil and gas contracting sector, bringing it enhanced technical expertise and valuable local knowledge.

SCA is committed to continuously improve local content both in term of use of local suppliers and subcontractors but also as occupation of local resources to be involved directly in EPC projects, strengthening their competencies for know-how sharing. To this end, Saipem is collaborating with local schools and universities to promote and support a technical education and improving job opportunities for locals.

Moreover subcontractors are core for Saipem business in Algeria, acting as partners in the projects. Therefore the relation with them and their involvement in any training activity is necessary to guarantee the respect of all Saipem standard and procedures in term of quality, health and safety, etc.

SUSTAINABILITY PERFORMANCE

PEOPLE

People Management

Saipem is promoting Local Content in Human Resources management and is defining a program of recruitment, development and training for young local resources to cope with the growing business activities in Algeria and to meet the local requests to invest on local workforce.

The Local Content Program focuses on the following HR processes.

Recruitment: Establishing partnership with local universities to develop skills

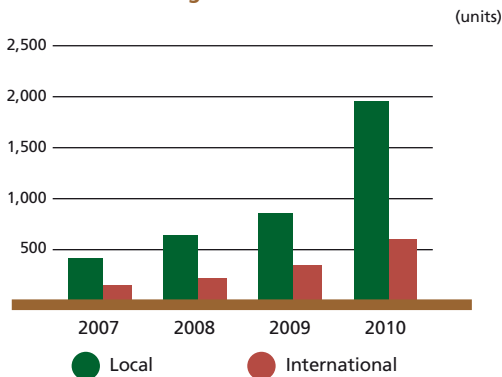
specific for Saipem business, presently missing on the market. Hiring locally is an effective way of creating local content and contributing to the country development since it has direct impact on the local economy and creates jobs opportunities.

Development: Defining development plan for local resources to provide them with the right skills and expertise required to compete and act successfully in the Oil & Gas sector. Promoting and implementing a correct monitoring system for key resources.

Training: Building on and enhancing local managerial and technical skills through the development and implementation of dedicated training programmes in collaboration with local institutions, the design of Saipem internal courses and the organisation of 'on the job training' on sites.

Compensation: Designing a consistent rewarding strategy capable to guarantee competitiveness on the attraction and retention of key people.

Total workforce in Algeria



Development and Training

Saipem Contracting Algérie is particularly focused on the good integration and personal and professional development of every employee, as they are role-players and

Saipem workers during operations



The GNL3Z occupies over 8,000 people (employees and subcontractors)

guarantors of the quality of the service provided to the clients. The improvement of employees and their careers inside the company plays a primary role in Saipem's way of managing human resources. Saipem aims at developing technical skills for roles considered critical for the business and difficult to be recruited on the local market.

In 2011, for each key resource a specific development plan has been defined to provide them with the right skills and expertise required. During annual interviews, every Manager together with the Human Resources department assesses the improvement in skills and performances, as well as the identification of key resources, in view of proposing concrete growth inside the company.

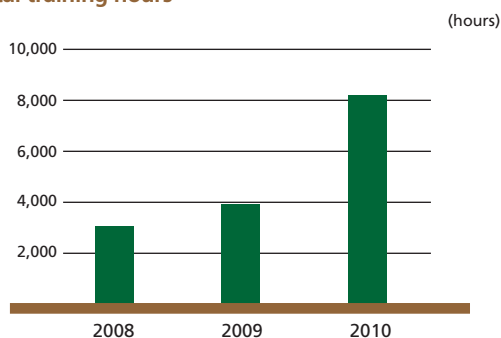
This investment in 'local human capital' will create and maximise Saipem competitive edge in Algeria representing furthermore for the Country an opportunity of undoubted worth.

Training, which is under the managers' responsibilities, is part of the company's strategy. It is the basis for both current and future performances of the company and it has to concur to its profitability, flexibility and improvement of its personnel.

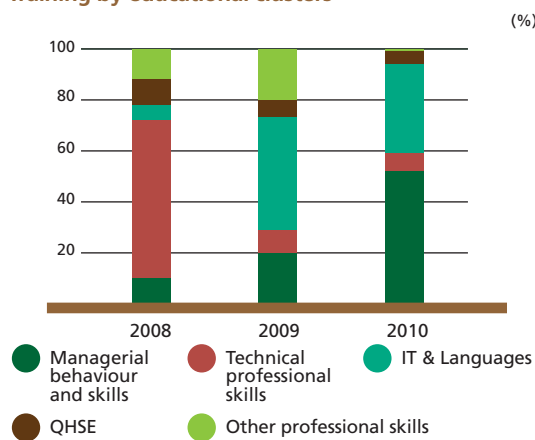
Training is considered an important aspect of Saipem strategy for HR, because it provides the workers with

opportunity for their continuous development either in their actual role or in future position.

Total training hours



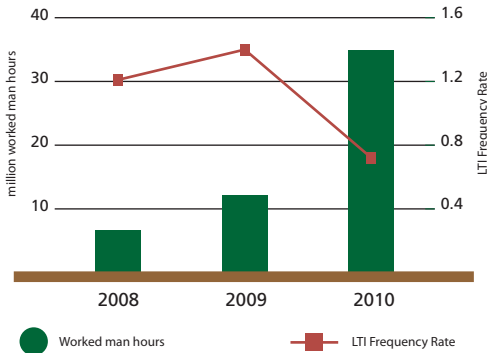
Training by educational clusters



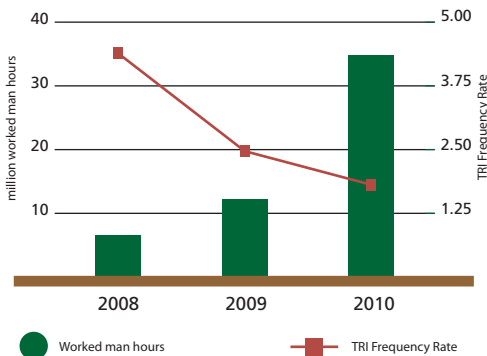


Training participants in the LPG project

LTI Frequency Rate



TRI Frequency Rate



Leading indicators

	2008	2009	2010
HSE training hours	11,748	13,809	70,158
SHOC Cards	20,466	32,079	35,764
Tool Box Talks	6,974	15,301	53,168
HSE meetings	863	1,014	3,023
Job Safety Analysis	6,026	1,702	20,663
HSE Inspections	23,216	9,282	18,535
HSE Management visits	212	234	1,115

Saipem is supporting initiatives for internship programs for university students to help them to make a working experience in an international environment in the oil and gas sector (see agreement with USTO page 32). Besides, Saipem SpA Branch – BU Drilling – organises an internship program as ‘stage de formation et apprentissage’ yearly for around 25 students from professional schools for a period of 18 or 24 months. Some of these young students are then recruited directly by Saipem or its subcontractors for drilling activities. In GNL 3Z Project, 17 Algerian young engineers of Saipem Contracting Algérie participated into the engineering and design phase conducted at the engineering centre in Milan (Italy) as a training and knowledge sharing process, before moving to the site for project’s supervision.

Further to that, other Algerian young engineers followed training on the job in Saipem engineering centres abroad namely one in Saipem sa (Paris office), one in a project in Tunisia and five engineers in a project in Libya in 2010.

Quality of living

In order to improve the condition of all employees that work in remote areas and live in accommodation camps, a series of recreational facilities has been built such as a football field, swimming pool and gym facilities.

A living wage is provided for those Algerian workers that move from their home town to the project area, in case they decide to live outside the accommodation camp in the city of Hassi Messaoud.

Safety

Safety of workers and subcontractors is a priority in all projects carried out by Saipem. The company has a strong commitment to minimise the risks for its workers and ensure the integrity of the entire workforce.

Defence driving

A course on safe driving has been organised for all drivers working in the LNG project. The course focused on the risks connected with driving, rules for driving in a construction site, speed control, etc.

Moreover, a speed limit control has been installed on every car and van working on the project's site.

Incentive scheme in LPG

Being aware of the importance of motivating the employees to cooperate in the management of safety issues, an incentive scheme has been implemented in the LPG project. A public recognition and safety prizes (caps, t-shirts, etc.) are given to those workers that showed a high commitment and engagement with the value and vision of the company concerning safety at work.

LiHS (Leadership in Health and Safety)

The Leadership in Health and Safety Program (LiHS – previously named

Leadership in Safety) is an important organisational initiative and an original program unique to Saipem which is aimed at all the company's personnel throughout the world and led directly by the Saipem CEO.

The aims of the LiHS program are to:

- Raise the quantity and quality of Health and Safety Leadership at Saipem companies in Algeria;
- Provide a highly interactive and enjoyable training experience;
- Disseminate the Saipem Safety Vision;
- Focus on values, emotional commitment and courage for safety.

The LiHS Course provides participants with a clear understanding of the importance of safety for the organisation and their own lives. In this way, every one of them is able to identify their responsibility and is provided with a real opportunity to contribute in an efficient way with their knowledge, experience and personal motivation.

Three Facilitators (HSE personnel) from Algeria have been trained to deliver the course; they gained an understanding of the LiHS focus and learned about the LiHS tools. The work carried out forged an immediate connection with the listeners, creating that direct dialogue which is the basis of any training experience.

MLE project

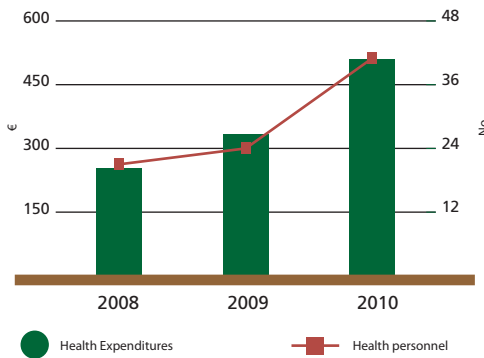


The next activity involved the task of taking the program to the supervision line through workshops lasting one and

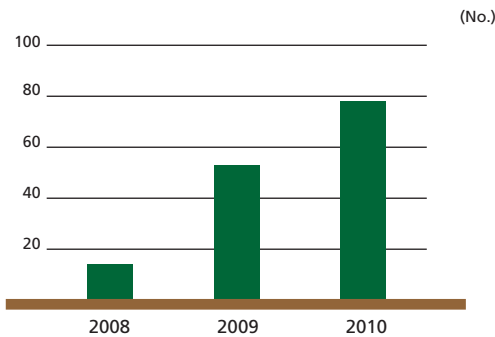
a half days. These workshops served as a means of promoting and strengthening awareness of Health and Safety, motivating the participants to become Health and Safety Leaders and creating a deeply-rooted culture in which Health and Safety must be placed first.

By the end of March 2011, 23 LiHS workshops have been completed in Algeria, with the participation of about 340 collaborators who have been transformed into new leaders in health and safety.

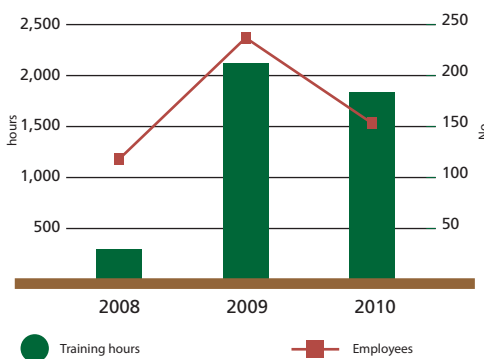
Health Expenditures



Medevac



First aid training



Health

Employee's health is a priority of Saipem Companies in Algeria. The medical team comprises 41 persons (of which 40 are local), both doctors and nurses.

In Algeria, Saipem has almost 14 clinics for provision of first aid and transportation, covering all projects and drilling activities.

In addition to that, Saipem is working closely with public hospitals in the areas where it operates, used as primary evacuation hospitals for Saipem employees in case of need. Further to that, Saipem has some other agreements with private medical clinics, providing high-level medical assistance.

In addition to curative medical assistance, the team carries out preventive medical activities through medical fitness examinations, health risk assessment, vaccination and different informative campaigns.

In order to ensure high level of emergency response and preparedness, Saipem Health Department organised and carried out more than 1,800 hours of First Aid training involving 153 employees, while 20 Algerian Medical Personnel i.e. 17 were trained in BLS (Basic Life Support) and 3 in ACLS (Advanced Cardiac Life Support).

During the year 2010, Saipem organised and conducted training sessions on health topics (sexually transmitted



Health Clinic
in the GNL3Z
project

disease (830 h), influenza (390 h), cardiovascular prevention (63 h), hygiene information course for catering personnel (197 h)), aiming to increase the health awareness and the health knowledge of the attendees.

The BE.ST – BETter (Life) STyle – is a Saipem lifestyle and nutritional program which proposes an alternative lifestyle to employees. In 2011, the program has been launched in Saipem Drilling Camp in Hassi Messaoud. The implementation will be in three steps: 1. Better food, 2. Better environment, 3. Better community. The first step has been introduced with the possibility to choose healthier meals prepared by the catering service. Almost 70% of the employees have already joined the program.

Industrial relations

Saipem SpA Branch has defined collective agreement with employees' representatives for all drilling activities. Moreover, also Saipem Contracting Algérie is now carrying out a series of initiatives aimed at the election of employees' delegates, and the creation of an internal committee for participation together with and ad hoc new committee for hygiene and safety.

ENVIRONMENT

Environmental Management System

Saipem Contracting Algérie is putting in place an Environmental Management System (EMS) according to the

international standard ISO 14001:2004. A series of procedures are now under implementation concerning all aspects of environmental management, namely the identification and assessment of the environmental aspects connected with all the life cycle of projects, the environmental performance monitoring and reporting, the definition of environmental management plans, etc.

Environmental Management in Projects

Every project conducted in Algeria has adopted a series of actions focused on the prevention of pollution and the conservation of the environment; in particular:

- reducing environmental impact through an effective use of materials, energy and natural resources;
- proper waste classification and disposal in facilities according to clients' and legislative requirements;
- sewage control through periodic laboratory analysis of samples collected at discharge points;
- keeping areas clear and practicing good housekeeping to prevent contamination with lubricating oil, chemicals;
- periodic inspections performed to identify possible non conformities;
- daily, weekly and monthly sites inspections conducted by project site HSE Coordinators.

For example, in the LPG project, an Environmental Impact Assessment study has been conducted highlighting the main environmental aspects both during the construction and the operational phase of the plant. Following this

analysis, an Environmental Plan was defined together with a series of mitigation measures to reduce the overall environmental impact.

Environmental training and awareness campaigns

To improve the environmental awareness of employees, training courses are carried out by personnel from the Environment function on topics like environmental legislation, the waste management system, oil spill prevention and response, etc.

Specific training activities were held on Projects, focusing on the implementation of the environmental plan and the application of environmental procedures defined by Saipem. These meetings involved also subcontractors' representatives that were requested to hold afterwards specific meetings with their team in order to inform and train them about rules and procedures to be followed on the project's site.

Furthermore, following the Environmental Plan and communication

strategy, the LPG project has set up an internal monthly newsletter 'Lettre d'information environnementale', describing specific environmental themes, informing about the environmental performance of the month and promoting awareness campaign.

Moreover, in June 2010, Saipem Corporate launched an Environmental Awareness Campaign addressed to all Saipem personnel, with the main purpose of promoting and influencing an environmental responsible behaviour.

In fact, the main core message of the Corporate Environmental Awareness Campaign is that each person can make a difference by adopting environmentally responsible behaviour, sometimes only slightly modifying its lifestyle.

The first awareness campaign focused on energy savings and conscious behaviour during operational activities.

It was conducted with success in all projects' sites with the help of promotional materials used during meetings with management and employees to present the initiative. During toolbox talks meetings the

Drilling Rig in the Sahara Desert



campaign's message has been presented and explained. Further, posters of energy savings have been diffused on projects' sites in different languages (English, French and Arabic).

The following topics of the Environmental Awareness Campaign include oil spill prevention and waste management.

Oil spill prevention

Spill Prevention and Response Plans are defined and implemented in all projects' sites, in collaboration with the local authorities. The main objective of spill contingency Plans is to identify the prevention strategies and the response actions adopted during and immediately after the release of pollutants and at last describe the procedures to deal with the problem, both during the prevention and emergency intervention phases.

In every project, spill response kits are supplied and emergency drills are conducted to check and verify the application of the Plan. Moreover, every project maintains adequate records of all spill incidents and corrects any unsafe condition in potential spill areas.

In August 2010, the Corporate Awareness Campaign focused on 'Oil spill prevention' to highlight the importance of a correct understanding of the issue and the prevention of any accident that can occur.

In all Saipem sites, the topic has been presented with posters, thematic meetings, toolbox talks, video presentations, improvement notes, and specific trainings and workshop, where the participants share the initiatives and measures to implement in this field.

Waste management

Saipem's strategy on waste management is based on the principle that the generation of waste should be limited and waste should be segregated, in a controlled manner, as much as possible close to its source of generation, for further re-use and recycling, and ultimately safe disposal.

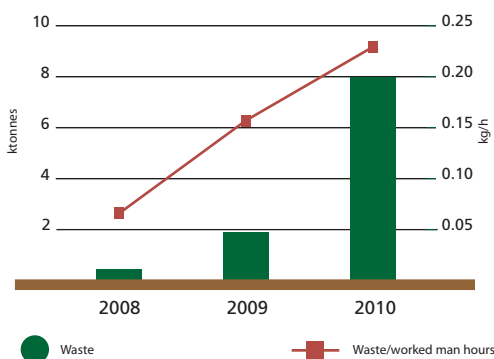
For that purpose, agreements have been signed with approved local recyclers in order to collect and dispose all types of wastes, generated in SCA offices in Algiers and in all the Projects.

For good housekeeping and environmental practices, any Saipem Project in Algeria has established and implemented a dedicated Waste Management Plan that defines the internal organisation for waste management, classification, segregation and storage, in accordance with the Algerian Environmental Laws and International Codes and Regulations. Main waste management aspects are the following:

- handling and segregation as per class of hazard, from the non-hazardous wastes such as bulk packages to general domestic waste, to the highly hazardous waste such as used oil, spent batteries and mercury lamps;
- collection and storage;
- suitable housekeeping measures;
- transportation to the temporary storage.

In the MLE project, the Waste Management Plan includes the collection and separation of waste and, considering the remote location of the

Waste production



The increase of waste in 2010 is mainly related to the end of two important projects (UTBS and Berrouaghia) and the related decommissioning activities (both hazardous and non hazardous waste were disposed off) but also to 4 new projects (Ammonia Jetty, LPG, GK3 and MLE) that started the operational activities during the second semester of 2009.

The compactor installed in the MLE project



site, a compactor was installed to reduce the volume of waste for a proper and more efficient transport.

Water management

Water is an important resource, also considering the climatic conditions and the scarcity of the resource.

The LPG project has installed a wastewater treatment system with chemical and biological treatments that guarantee a good quality in water released, which is then re-used for services such as dust control on the roads or watering of green area, etc.

Cleaning campaign

The Ammonia Jetty Project promoted in Mers El Hadjadj Beach a cleaning campaign during the celebration of the June 5, the World Environment Day. Two campaigns were conducted involving 12 employees that participated to the event.

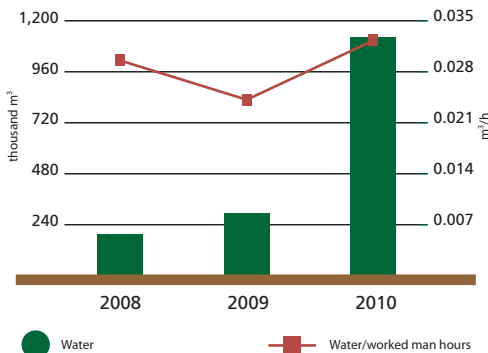
Protection of biodiversity

Saipem is conducting projects in different areas of the country with several species and ecological biodiversity.

The LPG & LDHP projects' Environmental Impact Assessment study highlighted the presence of peculiar species in the area of construction. Therefore an awareness campaign has been conducted addressed to all employees and subcontractors to avoid any picking or destruction of the plants species. Moreover, the area is characterised by the presence of the Fennec, a canides included in the list of endangered species. A special campaign is conducted to avoid any capture, abuse or killing of the animals.

Moreover, to promote the protection and conservation of biodiversity, MLE project workers planted over 500 plants of several species.

Water consumption



The increase of water consumption in 2010 is mainly related to 4 new projects (Ammonia Jetty, LPG, GK3 and MLE) that started the operational activities during the second semester of 2009.

Environmental Performance

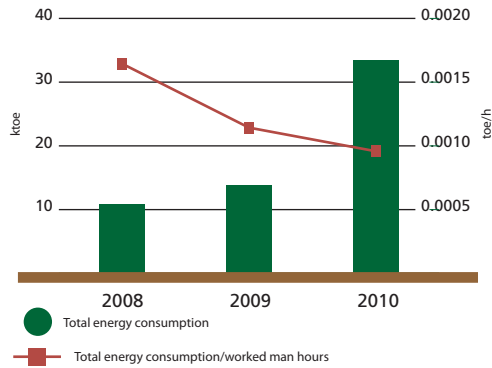
Every Project monitors the environmental performance and

prepares an environmental report on a three-months-basis. The overall performance of the projects conducted in Algeria over the three years period reflects the increase in term of activities and projects conducted. Therefore a reference index was calculated to show the performance versus the overall worked man hours.

CUSTOMERS

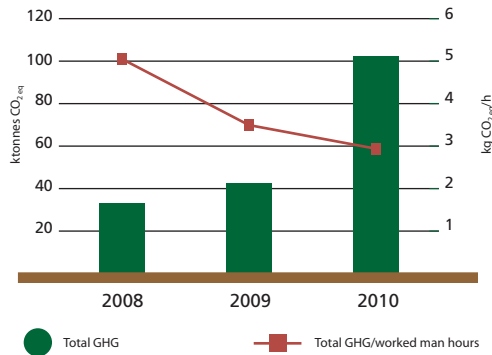
In Algeria, Saipem operates with all branches of Sonatrach (Upstream, Downstream and Transport) as well as Sonatrach's partners (Eni, FCP, Anadarko, BP, BG, Statoil, GDF-Suez, Total, Repsol, etc.) and Sonelgaz. Saipem maintains open and professional relationships with all its clients. The nature of these relationships relies with the nature of the project (FEED, EPC, etc.). The involvement and the collaboration with the client's representatives from the beginning of the Engineering phase, guarantee a fair relationship during the entire project, and Saipem strives to give this opportunity whenever possible. When the work is more integrated, the contacts are more relaxed. Whatsoever, the customer satisfaction is the best way to preserve an open channel of communication between the two parts.

Energy consumption



Data related with total energy consumption and GHG increased overall due to start of 4 new projects, but the relative consumption of energy decreased.

GreenHouse Gases



Saipem Technology Conference in Algeria, May 2009

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

The conference objectives were twofold:

- Sharing Saipem's technology expertise and know-how with Sonatrach, the lead Client in Algeria, as well as to other local and international companies

present in the Algerian market. This was achieved via focused and detailed presentations on all aspects of Saipem's activity in oil & gas production, the processing and transformation chain, as well as Infrastructure, Environment and Renewable Energy. In addition, time was given to case studies on safety, HSE, Total Quality and other related issues;

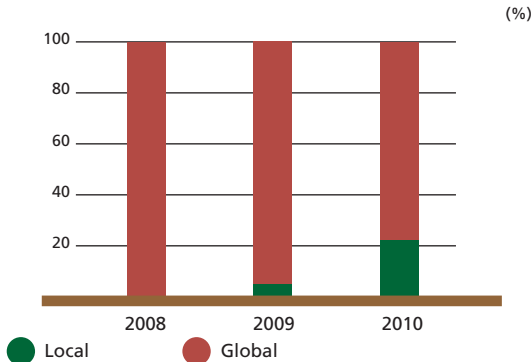
- Strengthening dialogue with local clients viewed as partners.

Speeches by top Algerian Government and Sonatrach officials, alternated with those of Saipem's CEO and Top Management, were much appreciated, as well as numerous informal exchanges during the two days of the event. About 150 local invitees attended, together with over 30 Saipem executive. Together with Sonatrach it was agreed to hold a follow-on event in a couple of years.

SUPPLIERS & SUBCONTRACTORS

Most of the projects that Saipem conducts in Algeria require a large involvement of subcontractors working on site to conduct specific activities. Being aware that subcontractors have a considerable

Percentage of local and global purchases



Percentage of local purchases is increasing in the country. It is important to note that also the international subcontractors that are contracted in Saipem projects have a high percentage of local employees.

influence on the projects' activities and the quality of the final results, Saipem implements a strict relation with them. This relation has been effectively implemented through a direct assistance of Saipem employees to subcontractors, mainly in relation with quality and HSE issues. On LPG project, Saipem 2 HSE officers have worked directly on local subcontractors' sites to help them implement HSE procedures and rules, according to Saipem standards. Moreover, representatives of main subcontractors participated in the Leadership in Safety workshops as a further involvement in the implementation of Saipem HSE requirements.

Particular focus is put on the identification and use of local subcontractors but also on the use of local workers by all Saipem subcontractors. For example, in the GNL 3Z project a wide range of activities is carried out by international specialised subcontractors that employ a high percentage of local workers (about 70% of the around 8,000 workers on site are local).

Interview with Taoufik Ferhat - Deputy Managing Director

Saipem makes constant efforts in the use of local content, how it is perceived by its customers? Is it an advantage for Saipem?

Even when the use of local content is not a contractual requirement, Saipem and its clients always promote this approach.

Saipem is not in Algeria for one project only, but intends to maintain its reputation built within these last 40 years, delivering projects on time with the expected quality.

The involvement of local subcontractors or client's subsidiaries is not only a way to meet the local and client's expectations but it is also for offering competitive benefits in the bidding phase.

What are the concrete requests in terms of Sustainability?

The increase of local subcontracting becomes a key factor in the Contractor selection,



especially during the construction phase. The recruitment of labour force involved in the projects shall consider not only the fact that they are local, but must also foster those coming from the

region where the project is carried out. The training of the labour force is also important, together with a correct and transparent involvement with the local communities.

The creation of a Commercial Department has strengthened the leadership of Saipem in the Algerian market?

The Commercial Department (CD) in Algeria has been created in accordance with the Corporate Organizational Model.

The CD operates actively in the cycle of business acquisition and monitoring of the market. Its presence on site, close to the local market, offers great opportunities for the development of the business.

Vendor performance improvement on a long-term relationship

Interview with Mr. Hadjadj Yassine, KHAYAC gtpH sarl General Manager

KHAYAC, created in 1983, is an Algerian supplier providing construction and related earthworks services mainly for the Onshore industry.

In which projects your company was involved with Saipem?

Our first experience in the oil & gas industry was with Saipem, in the OZ2 project (pumping station) in the 2002, we have been 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 even there 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 additionally to the usual earthworks (roads, excavations...).

For your company, how was the transition from carrying out minor civil works to sensitive construction works? And how did KHAYAC adapt itself to these kinds of works?

The reciprocal trust built over the years between Saipem and KHAYAC based on 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 the 40 m, because we gained confidence within time and acquired experience and capability to adapt ourselves according to the client's needs. In this sense, we acquired new equipments (crusher, excavators), we proceeded with the recruitment of experienced people and the training of our employees on the job, these key appointments to ensure our client benefit 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 work for other large international companies.

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

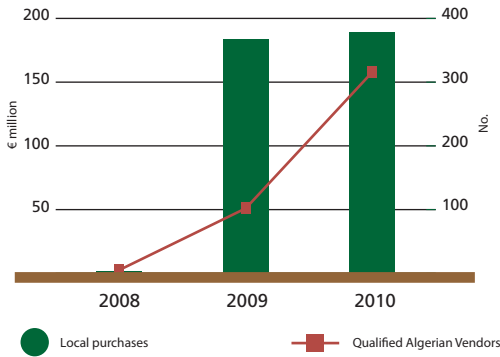
Saipem?

We have learnt within time, to promptly respond to our costumers' requests and we are committed to increase their level of satisfaction and constantly listen to their needs. This constant attention has enabled us to obtain in 2008 the ISO 9001 certification. In the meanwhile, our HSE performances got really improved since we started working with Saipem, and the close contact led us to develop and implement our HSE policy and helped us to increase the awareness of our workers. As an example, I can quote: our employees don't wear their PPE only on Saipem projects, but it became systematic on all sites (regardless to the client requirements), I can even say that our personnel are imbibed, day by day, by the HSE culture.

Has the collaboration with Saipem increased your know-how?

In order to face the challenges, we've been constrained to develop our self from the technological and skills point of view, a reality which takes shape thanks to Saipem's requests and collaboration. For example, the close collaboration with the methods department of Saipem in LNG and our lifting team on the Lifting operations (loads, jsa) was extremely positive and contribute to the development of my staff. Working with Saipem contributed strongly to enhance the HSE values in our teams, and comply easily with our clients' requirements.

Local purchases and local vendors



In the GNL3Z a close cooperation with the local subcontractor GTP specialised in construction of industrial plants, and particularly on welding, was realised. A series of new automatic machines for welding were provided to the subcontractors and a direct support by Saipem specialised personnel has been provided to help them improve their expertise in newly automated equipments and welding techniques. Moreover, with the patronage and support of local authorities for the employment (*Direction de l'emploi and Direction de la formation professionnelle*), Saipem and GTP have set up a Welding School that will teach new welding techniques to young students coming from local professional schools. About 30 students will follow the 3 months training activity in 2011.

LOCAL COMMUNITIES

Saipem companies in Algeria are strongly committed to working responsibly and contributing to the socio-economic development of the communities they operate in. In particular, Saipem Contracting Algérie identifies a series of initiatives addressed to the local population. Considering the local context of Algeria and the activities Saipem is carrying out in the country,

main commitment is addressed to the improvement of the local education and the creation of expertise in youngster to improve their competence and therefore their opportunities on the job market. In particular Saipem has contacted two Universities belonging to two different areas of the country: the University of Kasdi Merbah of Ouargla (UKMO); the University of Science and Technology of Oran (USTO).

Frame Agreement with USTO

In February 2010, a Frame Agreement has been signed between Saipem Contracting Algérie and USTO (Université des Sciences et de la Technologie d'Oran), to start a cooperation between SCA and the University.

The first activity held at USTO has been the '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 (2010). It has been attended by around 180 students.

The aim of the event was to introduce Saipem to the students and the teachers of USTO 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 activities worldwide were presented, together with a description of Saipem activities in Algeria; the philosophy of the company, the HSE policy and the local content policy. A particular attention was given to HSE and PCON activities as these are the areas of interest in the ongoing cooperation between SCA and USTO.

Project Control (PCON) course

In the context of the Frame Agreement with the University, a PCON optional course was organised starting in October 2010 and addressed to students of the

The agreement between Saipem and USTO

About USTO (Université des Sciences et de la Technologie d'Oran)

The university was born about 35 years ago with a focus on Science and Technology aspect of knowledge. Nowadays the university has about 12,000 students and 800 professors for 4 different faculties and 16 departments.

The university is now working closely with different business actors in order to understand much better their needs and to help student's employability in the job market.

Interview with prof. Nassira Benharrats (Vice-rector for external relations, cooperation and communication) and prof. Maamar Boudia (Vice-rector for high education, and diplomas).

What is the current situation for the universities and graduate students?

There is a growing need to support the students not only in term of their education at university level, but also in the orientation of their job research. Following these needs, USTO has created a Job Observatory that includes a direct collaboration with companies and students in order to provide work experience, as Stage on the job, before to complete the studies. For companies this is a good opportunity to find young graduate from a well-recognised university.

Why a cooperation with Saipem?
Saipem is present in the Oran's territory almost since a couple of years ago and has showed its interest to collaborate with our University throughout a first meeting in which Saipem showed the need to find local young talent. This starting point has led us to discuss about the real possibility to finalise an agreement

between Saipem and USTO in order to start a win-win and fruitful cooperation.

What is the agreement about?

The agreement is a general framework defining the purpose of cooperation between Saipem and USTO in different fields. It includes a series of activities that has been agreed and planned.

The first activity scheduled was a course on Project Control, included as an optional course into the mechanical engineering Master. It



consisted on 88 hours of teaching carried out by Saipem professionals, and was attended by about 60 students. This was expressed as a need by Saipem itself that recognised the lack of experienced people in this field.

The second activity was the definition of an Internship Program in Saipem projects in Oran area for 20 USTO students during their project graduation. USTO professors and Saipem has defined a series of subjects and arguments that will be covered during these internships, aiming to satisfy both the needs of the students and the requirements of Saipem projects. The internship program started in February 2011.

Any other activities are foreseen in the future?

Saipem and USTO have also identified another important subject of cooperation to face the difficulty to

find specialised professionals in the HSE. Therefore, a two years Master course has been tailored involving Saipem HSE experts, professors and international experts.

This proposal for Master is now under the approval of the Ministry of Higher Education.

Other than the training for students, the scope is also to educate professors that will participate to the sessions, in a 'train the trainers' scheme. This is essential to guarantee the possibility to replicate the Master course specially when Saipem will complete the ongoing Projects and may leave the area.

How do you judge the agreement and the on going activities?

We strongly believe that it is a win-win solution both for Saipem that can help the recruitment process mainly for those specialised activities, and for the University that can support the specialisation of students and helping them in their job finding.

We are very proud of this agreement and the activities that have been carried out so far, and we are confident that the activities will continue in the future.

However, considering that Saipem is present in the area of Oran for conducting projects with limited duration, we are very relieved of the 'train the trainers' activities that will be done on the HSE Master, that will allow us to create the competences inside the University and replicate them in a long term view.

Do you think it is an experience that can be replicated?

We are sure about that, and after the experience with Saipem other companies working in the same area get in touch with us to identify a cooperation path. The experience with Saipem was a great success and we hope it will open up more opportunities with other business actors.

Master level 2, which is the second level of study to become engineer in the LMD path (License, Master, Doctorat).

This 2-months course, consisting in 88 hours of teaching, has the aim of giving an overview of the PCON activity in oil and gas industry, including an introduction to economics and project management, and a deep look into project control and planning tools. Teachers are both Saipem internal PCON specialists and external specialists.

Internship Program

In February 2011, an internship program was launched. It involves 20 USTO students which will conduct their *Projets de fin d'étude* (final six months of their Master course) in Saipem. For each student an *ad hoc* project that will be carried out during this internship has been designed by USTO professors and Saipem experts, according to the needs of students and the activities ongoing in Saipem projects.

HSE Master

Mapping the Algerian labour market, Saipem and USTO have also recognised the necessity to implement a course oriented towards HSE subjects. An HSE Master course has been designed and it is now under the approval of the Ministry of Higher Education. It has been scheduled for the duration of 2 years starting from September 2011.

The Master has been conceived as a transfer of know-how from Saipem experts with a double scope of creating new professionalism for young students but also to train directly university professors, in order to assure the replication of the course from USTO in autonomy, considering that Saipem may leave the area.

Collaboration with the University of Ouargla

A 'Saipem Day' was organised at Ouargla (about 80 kilometres away from Hassi Messaoud) to mark a first step of the collaboration between Saipem Contracting Algérie (SCA) and Ouargla

University of Science & Technology, that involved a delegation comprising SCA senior management and some employees who have submitted Saipem and its activity in Algeria: the ongoing EPC projects, the drilling activities, HSE presentation and an introduction of Project Control as one of the subjects of the collaboration.

More than 800 attendees from University were present, showing great interest in the discovery of Saipem and its core business.

Additional initiatives have been made such as participation in the enrichment of the University library with Saipem's magazines and publications and a project of mentoring some teachers about the Oil & Gas subject in collaboration with Eni Corporate University.

Community Initiative in Hassi Messaoud

Saipem operates in Hassi Messaoud (South Algeria) since almost 40 years, both as a drilling and as an EPC Contractor.

Health Program

Saipem Health Department and the Sustainability team in Algiers have recognised that there are many opportunities for health promotion in the area Hassi Messaoud.

Working closely with a local NGO (National Association of midwives), Saipem has planned a health program in 2011 mainly aimed at guaranteeing safe pregnancies. In March 2011 three midwives have been trained on different pregnancy's monitoring techniques (Ultrasound among others) in order to be able to carry out all necessary checks for a target population of about 40 pregnant women.

In addition to that, Saipem is intended to purchase the adequate equipment (Removable Ultrasound Scanner, Foetal Cardiocographe) as support of the existing medical facilities in the area.

FUTURE CHALLENGES

Always looking from past experience to plan future actions and approaches, Saipem has a deep interest in the wealth and prosperity of Algeria and, in particular, of the communities where it operates.

Seeking to be a good Algerian citizen, Saipem contributes to Algeria's long-term growth by operating responsibly throughout the entire range of its activities that demonstrate its permanent commitment towards sustainability.

To do so, Saipem in Algeria shall:

- represent an example of how business and ethics can walk together, thus not looking for short-time gains by acting in unethical way;
- create more job opportunities locally, continuing the implementation agreements with local universities to conduct intensive training programs fully aligned with its business and strategy;
- increase the number of local persons in key positions;
- provide healthy and safe working environment to the employees and conditions/opportunities to have a professional growth and improve their qualification.

Jetée d'Amonia





Rows

GLOSSARY & ACRONYMS

E&C

Engineering & Construction

EPIC

Engineering, Procurement, Installation and Construction

EPC

Engineering, Procurement and Construction

FEED

Front End Engineering Development

GHG

GreenHouse Gases

HSE

Health Safety Environment

LNG

Liquefied Natural Gas

LTI

Lost Time Injury. 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

LTIFR

Lost Time Injury Frequency Rate

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

SCA

Saipem Contracting Algérie SpA

SHOC

Safety Hazard Observation Card

TRI

Total Recordable Incidents. Term to define the sum of Lost Time Injuries (including fatalities and permanent disability cases), work restricted cases and medical treatment cases

TRIFR

Total Recordable Incidents Frequency Rate

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

WHM

Worked Man Hours

Headquarters: San Donato Milanese (Milan), Italy
Via Martiri di Cefalonia, 67
Branches:
Cortemaggiore (PC) - Via Enrico Mattei, 20



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Feedback

What you think of this Case Study 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 us at: sustainability@saipem.com

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

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