

# SAIPEM SUSTAINABILITY *in brief 2011*

*For Saipem, 'Sustainability' means conducting our business in a way that creates long-term value while at the same time ensuring social and economic growth in the areas where we operate.*

*It also means working together with our stakeholders, especially local populations, towards shared goals.*



## Message from the CEO

The concept of 'sustainability' is an integral part of the company's operations which, due to their nature and complexity, have always demanded a special focus on people and on social and environmental issues. The specific characteristics of the countries and the

local contexts in which we operate led us, many years ago, to adopt a distinctive approach to sustainability during the execution of projects. This consists of managing the risks involved and ensuring that our presence is a contributing factor to the social and economic development of local areas and communities. Sustainability thus plays a

key role in the success of Saipem's operations, since it enhances our status in the eyes of our clients and local stakeholders.

In light of the social and political changes that we have witnessed in several Oil & Gas producing nations over the past year, I am convinced that the theme of Local Content remains a cornerstone of our



business and will continue to be a determining factor in ensuring we can operate successfully in highly diverse and complex local contexts.

**Pietro Franco Tali**  
Chief Executive Officer

## Market Scenarios

Since the dynamics of the energy market are mainly linked to developments in the non-OECD area, the Oil & Gas industry is to a large extent unaffected by the economic crisis which has struck the developed world. Indeed, an **8-9%** increase in the overall global energy requirement is predicted for the period 2011-2015, with oil, natural gas and coal still the major energy sources.

The growth in worldwide oil production and the use of natural gas will generate significant and, at the same time, challenging opportunities for global, integrated and multi-business contractors. Within this market outlook, Saipem is committed to developing

robust and sustainable business, where the term 'sustainable' means the ability to generate value while taking into account the needs and interests of all stakeholders involved, and a correct and safe use of natural resources. Specifically, Saipem's sustainability strategy rests on three main pillars:

- **attention to human**

**resources**, in terms of workplace health and safety, training, career development and respect for diversity and cultural traditions;

- **the Company's contribution to local economies and social advancement** through the use of local human resources and materials, the encouragement of local

entrepreneurship and the assessment of the social and economic impact of the Company's activities on local areas;

- **environmental protection and the use of technologically advanced assets** to prevent risks and optimise operating results, even in extreme and challenging environments.



## Local Content

For Saipem, optimising Local Content means offering employment opportunities, training and the transfer of know-how to local communities. But it also means working effectively with local vendors and subcontractors to create socio-economic value.

Saipem promotes medium- to long-term agreements with local vendors to develop forms of multi-year cooperation that will hopefully lead to synergies. Indeed, after many years of cooperation with Saipem, increasingly more vendors have managed to expand the type of goods and services they make available and to boost the technological complexity of their supplies.

During 2011, Saipem ordered a total of **€8.7** billion for materials and services (**€2.2** billion for asset investments and staff costs and **€6.5** billion for operating projects) of which more than **56%** was supplied by local vendors. With a view to supporting the global procurement process and to improving its own market analysis skills, Saipem is identifying and

exploring the possibility of new procurements in the emerging countries. The Sourcing Centres in China and India (specialist procurement scouting units which support projects by ensuring a direct interface with local markets during procurement) are indicative in this regard. Saipem has inserted a sustainability clause in all its general procurement conditions according to

which vendors must declare that they have received and recognised the contents of the Company's Sustainability Policy. All this in turn forms part of Saipem's Vendor Qualification system, designed to facilitate assessment of the reliability of vendors in terms of technical ability, quality, health and safety, organization, financial health and risk management.

## Vendor Social Responsibility Campaign

In 2011, Saipem launched a new campaign for Vendor Social Responsibility based on the 'Fundamental Principles and rights at work' of the ILO

as well as SA8000 standards. Questionnaires and on-site visits were adopted to monitor a number of vendors, especially as regards their attitudes and

practices. The results were then documented in audit reports and submitted to the Sustainability Committee. Where necessary, improvement actions were

identified and followed through. Further on-site audits will take place during 2012.



### BRAZIL

#### The challenge of Guarujá

Development of the Pre-Salt reservoirs in the Santos Basin is one of the most important challenges Saipem faces. In order to meet this challenge by building a new fabrication yard for subsea and floating structures, as well as a logistics base, at the end of 2011 the Company agreed the 100% acquisition of TPG (Terminal Portuário de Guarujá SA), which owns a **35** hectare plot in Guarujá within the industrial hub of Santos, the largest

port in South America. The impacts of the project on the economic, social and environmental context are currently under evaluation and initiatives to manage

the predictable ones will address local needs and expectations and contribute to the overall well-being and sustainable development of local communities.



### CANADA

Snamprogetti Canada Inc, a Saipem operating company, issued a Local Aboriginal Opportunities Plan to help clients build sustainable relations with First Nation vendors and to maximise First Nation opportunities in general. The Plan also envisages progress towards a diversified workforce that is representative of the qualified employable First Nation population within the region of each Snamprogetti Canada project.

## Quantifying the Sustainable Value of Saipem's Local Content: The Selce Model

The Saipem Externalities Local Content Evaluation Model (SELCE) was developed with the aim of quantifying the sustainable value of Saipem's Local Content. Specifically, it facilitates analysis and measurement not only of direct effects but also of 'externalities', given by the indirect and induced components of the socio-economic impacts generated by Saipem Operating Companies in the countries where they operate. The output is a quantitative

evaluation, mainly in monetary terms, of the socio-economic and sustainability effects produced by the Local Content strategy.

In 2011, the SELCE model was also applied to Algeria and Nigeria. It showed that Saipem's contribution to the GDP of both countries in **2010** was **1.3%** and **0.44%** respectively. More information can be found in the Report.

## Developing Local Employment Strategies

Maximising Local Content allows the Company to develop and maintain ongoing relationships with its host countries.

Employing local workers on Saipem projects enriches the diversity of Saipem's workforce and provides young talents from around the world with the opportunity to grow professionally in

their native country or overseas. The methods adopted in this regard mainly concern training courses, scholarships and internships. Saipem acknowledges the real opportunity provided by

these initiatives, since not only do they provide services of high social value, they also meet the general strategy of efficient and effective human resources management and ensure critical professional

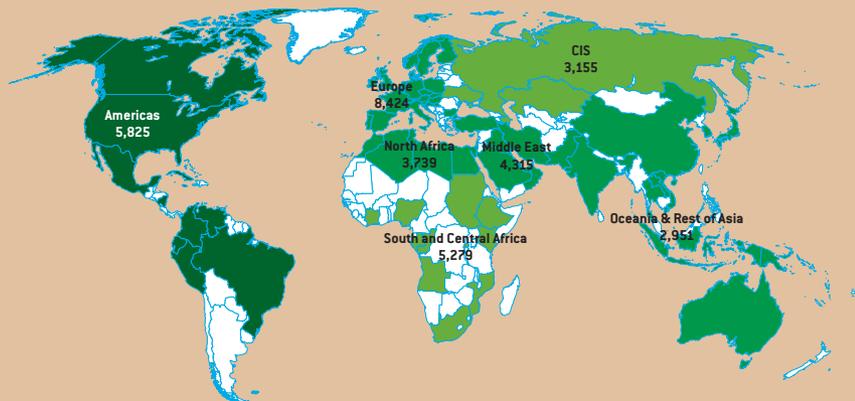
skills for future projects.

**Data:** excluding Italy and France, more than **46%** of middle and senior management positions are held by local employees.

## Local employees

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

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



Data updated as of December 31, 2011



## INDONESIA

In accordance with Saipem's Local Content strategy, manpower for the new fabrication yard on the island of Karimun will be recruited primarily from local resources. However, a core issue is the education system, which is incapable of sustaining the socio-economic changes expected to impact the island. To remedy this, the Company has been working closely with the local authorities on initiatives focused primarily on the upgrading of educational facilities and on training and awareness campaigns in schools. It also cooperated with the 'Sekolah Menengah Kejuruan 1' vocational school to launch a new course for pipe fitters.

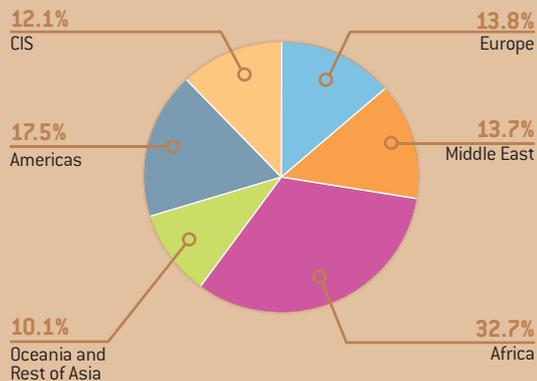
# People

The People Management System is a cornerstone in Saipem's pursuit of long-term sustainable growth. Saipem is constantly developing human capabilities and skills and prioritises merit in the evaluation process with no discrimination in terms of sex, age, religion or ethnic origin.

The mobility of human resources is a strategic business lever of the Saipem Group. This is why in 2011 the Company completed analysis and benchmarking of the models and best practices of employee allocation currently in

use in Italian and foreign companies. The Company has also set up a number of reporting initiatives with the aim of providing central monitoring of 'critical' phenomena in terms of their significant impact on company costs.

## Workforce distribution



Out of a total of **44,232** employees at the end of 2011, more than **10,000** were working in Europe. The rest were distributed quite uniformly over the other geographical areas of operations.



## PERU

Employees and their families are important stakeholders in Peru, and Petrex promotes initiatives to share the Company's values with them. The 'Land of Children' journey was organised in Lima so that the children of employees could visit a community where children just like them express their concerns about nature. Recycling Workshops were arranged in Talara, where Petrex children learned to

use domestic waste to craft useful items. 'Art Workshops for Children's Rights' were held in Iquitos, where the main social problems include child labour, malnutrition, teenage pregnancy and a lack of adequate sanitary infrastructures. Finally, in the community of Iquitos, Petrex organized a workshop to develop and strengthen awareness of the need for a proper approach to nutrition and oral health.



## KAZAKHSTAN

The growing needs of Kazakhstan's economy require not only that the number of blue-collar workers be increased, but also that the quality of their education be improved and that the efficiency of the entire welding industry in the country be enhanced. The Kazakhstan Welding Association [KazWeld] was founded in 2011 with the participation

of Ersai. It has set itself the goals of helping Kazakhstan join the International Authorization Body for accreditation and certification, implementing international standards for welding training, education and certification in Kazakhstan and, last but not least, accrediting specialist centres for training in accordance with IIW international standards.

## Saipem vessels: Crew Training

Saipem construction vessels are equipped for both drilling and assembly operations at sea and thus require a working environment that is peculiar to this type of activity. Crews operate according to pre-set programmes that demand compliance with the highest standards of efficiency, quality, health and safety. This means that staff must be suitably trained not only for ordinary activities but also to tackle any emergency that may arise. All career moves are initially assessed on-board by direct supervisors who evaluate the resource's abilities and personal characteristics, following which approval is sought from the competent representatives of Company departments.

## On-the-Ground Presence

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

This first ever application of the stakeholder mapping tool highlighted a mutual will to identify and implement specific initiatives for local community development

by strengthening global and national links with clients, vendors, local authorities and local community representatives.

In 2011, a Stakeholder

Survey was conducted in Algeria and Nigeria on a panel of key vendors (**19** Algerian and **23** Nigerian) to collect qualitative information aimed at identifying the

perceived impacts of Saipem operations in these two countries.

For more details please refer to the Report.

### Capacity building in local communities

Saipem believes it has a duty towards capacity building in local communities and to this end commits resources to the development of local social systems. Education and training play a vital role in this. In cooperation with local economic and education authorities, including schools and universities, Saipem often promotes or participates in projects for the development of the technical, managerial and entrepreneurial skills of the local population. Saipem is also working to identify the most efficient monitoring indicators for each local community project. Examples of projects realised in 2011 are given below.



### PAPUA NEW GUINEA

With the support of the Department of Works (DOW), Saipem has sponsored a 16-month training programme to provide forty young people (**30** men and **10** women) with basic trade skills in air conditioning and refrigeration, metal fabrication, carpentry & joinery and plumbing.

This will enable them to contribute towards the future development of their communities and will also leave them with better employment prospects once Saipem leaves the area upon successful completion of the EPC 2 part of the PNG LNG Project.



### NIGERIA

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

Development and Monitoring Board guidelines, SCNL provides technical courses and work experience for young unemployed Nigerian graduates. At the end of 2011, **50** students were undergoing training on several operating projects.



### KAZAKHSTAN

In order to increase youth employability, Saipem Kazakhstan Branch planned and held a three-day seminar on active, meaningful and self-reliant job search techniques.

The **60** students in attendance learnt about the current state of the labour market and were given a number of key recommendations for a successful job search.



### ANGOLA

For the first time in Angola, the Saipem subsidiary Petromar organized a 10-day training course for qualification as 'Certified Welding Inspector' and/or 'Certified Associated Welding

Inspector' based on American Welding Society (AWS) standards. Fifteen Angolans working in the Quality Control Department took part.

# HSE Management System

Strategic development by geographical area, coupled with the new business approach, is having a significant influence

in all areas of work organization, including HSE system development and implementation. In order to minimise the potential

risks engendered by local unskilled resources, a **multi-channel transfer of know-how** has been adopted. Special centres have been

set up on Saipem projects and sites so that HSE training can be delivered in the classroom and on the ground.

## Master degree in HSE Protection in the Oil & Gas Industry

During 2011, Saipem SpA, in association with the University of Bologna, set up a Master's degree course for **12** young engineers titled 'Health, Safety

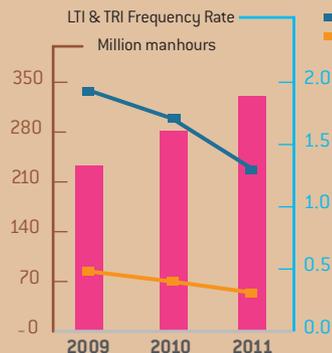
and Environmental Protection in the Oil & Gas Industry'. A phase of theoretical lectures was held at the university's faculty of Engineering, while for its part

Saipem mobilised several of its instructors whose lessons focused on the practical side of things. The second part of the course involves placement

in various Saipem offices for on-the-job training and preparation of a dissertation.

## Safety performance

In light of the results of the root cause analysis of fatalities in 2011, a **Safety Forum** was held for all major



subcontractors working on projects in Algeria, where many accidents have occurred. A Working at Heights (WAH) Campaign was also set up and Saipem is providing a new training programme focusing on WAH activities. Different levels of training will be available for supervisors, HSE professionals, WAH rescue teams and workers.



### ALGERIA

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

provided midwives with training to obtain official qualification in obstetrical ultrasound techniques. It also supplied medical equipment and helped raise women's awareness of the possible risks before, during and after pregnancy.



### CONGO

'Sécurité Routière' is a road safety programme implemented by a group of private companies operating in Pointe Noire. The first part showed students how to recognise road signs and prevent accidents, while the second consisted of an

exhibition in Pointe Noire at which the various companies made presentations concerning road safety. Boscongo contributed with a variety of proposals such as the 'ABC Model for Speeding' to analyse the behaviour of fast drivers.



## Leading Behaviours Campaign 2011

*'Taking care of ourselves and taking care of our colleagues is what comes first.*

*We have to build this culture, everywhere. Nothing is more important.'*

Pietro Franco Tali, CEO Saipem

Now in its 5<sup>th</sup> year, the LiHS process continued with the launch in early 2011 of the *Leading Behaviours* campaign which injected five simple and transferable non-negotiable behaviours into the organization using a multi-channelled cascade

approach that allowed for local adaptation. This strategy builds upon the foundations of an already developing culture, making an innovative shift from the traditional communication approach to one that includes tangible behavioural elements.

## Health

Saipem has implemented a comprehensive **Health Management System** focused on disease prevention and health promotion among the workforce combined with the diffusion of a strong

health culture throughout the Company. Saipem is equally convinced, however, that health is vital for the sustainable development of local communities and it promotes this belief practically through training,

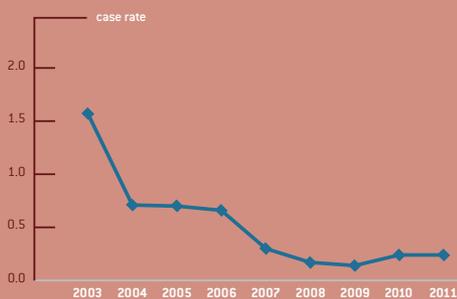
awareness raising, the supply of equipment, and cooperation with other entities in the medical field. Furthermore, where local health systems are highly inadequate or non-existent, the medical units used by

Saipem on each project can become the launch pad for implementation of health measures against such diseases as malaria and HIV/AIDS.

### Focus on Malaria prevention: Malaria Control Programmes

The risk of contracting malaria in endemic areas such as Africa can deter investment and cause loss of productivity or income

Malaria Case Rate\*



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

associated with illness or death. It is an obstacle to schooling for children and to social development in general. Saipem's approach to fighting malaria is

based on the ABCD principle: namely, A (Awareness), B (Bite Prevention), C (Chemoprophylaxis) and D (Diagnosis). The primary goal of the **Malaria Control Programme** is to make employees aware of the risk of the disease and to teach them how to protect themselves against infection. In 2011 Petromar Lda distributed a total of **2,800** insecticide treated bed nets to approximately **1,300** families in Ambriz, **Angola**. Saipem companies operating in the **Congo** held a malaria awareness day in April in Loango, which included distribution of insecticide treated nets to pregnant women and to children from 0 to 5 years of age. Finally, massive malaria campaigns were launched in June by SCNL on all project sites in **Nigeria** and at the Operational Base in Port Harcourt. Specific malaria awareness presentations were made to employees and mosquito repellents for personal use were distributed and made available in public recreational areas.

## Environment

Environmentally responsible behaviour continues to be a pillar of Saipem's business strategy and involves all Saipem people and projects. An important target for 2011

was to boost the level of environmental awareness through proactive initiatives addressing some of the potential environmental impacts of company

operations. So, for example, a campaign on '**Water saving and reuse**' was launched in conjunction with World Environmental Day on June 5, 2011. The core message

linked with this theme was that, with very small cost-free efforts in changing our lifestyles, each one of us can make a difference.



### NIGERIA

In Nigeria, unwanted

natural gas released during oil production is usually burnt off. However, flaring and venting have harmful effects on human health and the environment. For this reason, Saipem built a new area at the Ebocha Oil Centre, operated by Eni, where it installed a turbo generator,

one medium and two low pressure compressors, and other connecting facilities. In this way, roughly **1.5** million standard cubic metres per day of gas previously flared are now compressed and then delivered through the existing pipeline system to a gas hub, where they are made available for domestic use at Nigeria's Omoku Power Station.



### QATAR

Together with its Consortium partner Hyundai, Saipem implemented a major paper recycling initiative at the Qatar Fertilizer Company's (QAFCO) ammonia and urea production plant. In 2011, a total of **55.5** tonnes of paper and cardboard waste from QAFCO 5 and 6 were sent to a

recycling factory in Qatar. This saved approximately **137** m<sup>3</sup> of landfill space, prevented the emission of greenhouse gases from paper composition, and avoided the need to use **1.67** million litres of water and **16,700** kWh of electricity in the production of new paper.

# Saipem Sustainability Reporting

## Saipem uses a multi-channel approach to disclose its sustainability performance.

'Saipem Sustainability' was drafted to provide stakeholders with complete and detailed information on the themes of greatest importance, defined with reference to GRI Guidelines. As of 2011, sustainability

performance data appears as an 'Addendum' to the Annual Report. The level of internal significance of issues to be treated in both 'Saipem Sustainability' and the 'Addendum' was set by the Sustainability

Committee, with due regard for the Company's principles, values, business strategy and objectives. The level of external significance, on the other hand, was surveyed by combining a sustainability analysis of 45 of the

Company's main clients with the requests forwarded to Saipem by stakeholders over the course of the reporting year. More information can be found in the Report.

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

## The development of internal networking is a central theme on which Saipem has been focusing for many years.

In 2011, an in-house portal dedicated to sustainability was set up to share information, experiences and best practices developed in local areas. A Saipem

Corporate Newsletter focuses on international news and on Saipem sustainability projects around the globe, whereas others produced by the

main operating companies place emphasis on Saipem activities at local level. Finally, in 2011 a project was launched to standardise the management tools used to

improve the networking skills of professionals working as Sustainability Facilitators on local projects.

## Sustainability Rewards

In 2011, Saipem's sustainability performance obtained the recognition of numerous institutions and rating agencies. For the third consecutive year

the Company was included in the DJSI Europe index and appeared once again in the FTSE 4 Good and the Ethibel EXCELLENCE Investment

Register, thus repeating the successes of 2010. Finally, for the third year running Saipem was recognised in the SAM Sustainability Yearbook 2011

as a 'Sustainability Leader' in the Oil Equipment & Services industry.



*Saipem's distinctive approach to Sustainability is visible in our strategy of maximising local content by employing local resources and purchasing services and materials from local vendors in a way that fosters development and builds capacity.*