

saipem sustainability 2012



saipem

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.

Message from the CEO



Building value for the Company through growth is a continuous, difficult, but nevertheless exciting process. Saipem's business is a complex combination of activities, all of which must integrate and contribute to ensuring balanced and durable development.

In Saipem, we believe that sustainability is first and foremost a way of doing business and, as a result, our targets are an increasing level of Local Content, maximum attention to the health and safety of our people, to environmental protection and to the development of human resources both in our Company and in those of our partners, suppliers and subcontractors. In short, our ambition is to contribute to the social and economic growth of the countries where we operate.

However, great companies show their true qualities not only by the way in which they prepare for and exploit the opportunities of the future, but also by the way they react to adversity in the present and disclose this to their stakeholders in an open and honest fashion. In this regard, Saipem was advised in late November 2012 that it was under investigation for corruption associated with contracts awarded in Algeria between 2007 and 2010. The Company is assisting the Milan Prosecutor's Office with its enquiries and awaits the outcome with confidence.

Meanwhile, Saipem is working on two key aspects as a response to these events. First, it is validating once again the quality of its procedures and processes, and improving them where necessary. Secondly, it is ensuring maximum compliance with these throughout the organisation, including by refresher workshops and training courses and by redesigning the Company's organisation with additional and clearer

points of responsibility and accountability. In all of this, core values play a fundamental role, and none are more important than those that underpin our approach to sustainability. Indeed, I have noted that not only has our genuine commitment to Integrity, Local Content development, Health & Safety and Environmental Protection never been in doubt, but it has, if anything, become even stronger.

With the publication of 'Saipem Sustainability 2012' as an integral part of the Annual Report, Saipem wishes to underline that sustainability has deep roots in our Company culture and is at the heart of everything we do.

Country by country and project by project, 'Saipem Sustainability 2012' describes our efforts and the results achieved by the Company. These are examined and commented upon by a panel of independent experts to ensure objective assessment and useful recommendations for future improvement.

Since we recognise that there is still a lot to do, our priority objectives are the integration of sustainability into the Company's business strategies, and ethics in business as a binding condition.

I consider this to be the only winning approach in both the short and long term, and I am certain that it will represent a real contribution to the success of our Company, to the satisfaction of the interests of our investors, our clients and the communities where we operate.

I warmly invite you to read this report and I would ask our stakeholders to continue to provide to us with their constructive input.

Umberto Vergine

Saipem CEO



Agostino Napolitano, 'Desert Snake', UAE

saipem sustainability 2012

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Graham Baxter, Independent Consultant

Ana Maria Esteves, Community Insights Pty Ltd

Khalid Ghozlani, GEnergyConsulting

Petter Matthews, Engineering Against Poverty

Stéphane Prévost, La Financière Responsable



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

Saipem at a glance

FRANCE

Saipem is present in France with the companies Saipem sa and Sofresid sa. The main operations are in both Onshore and Offshore E&C, including the following product lines: Floaters, LNG, Maritime Works, Infrastructures, Offshore Wind Farms, Subsea Field Developments, Offshore Pipelines, Offshore Fixed Facilities, Platform Installation and Decommissioning, and Remote Subsea Technologies. The Company counts 2,207 employees, of whom 85% local.

Socio-economic value p. 6, Saipem organisational hub in France p. 48

ITALY

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

Training p. 13, Environment p. 64

CANADA

Saipem is present in Canada with **1,012** employees, of whom **86%** local. The Company operates locally via Snamprogetti Canada Inc and Construction Saipem Canada Inc. The main activities are Onshore E&C and Onshore Drilling.

Environment p. 65

ALGERIA

Saipem has been present in Algeria since the early 1950s. In 2012 the Company counted **2,018** employees, of whom **74%** local. Saipem's operating companies are Saipem Contracting Algérie SpA and Saipem SpA Algerian Branch. The main business is in both Onshore and Offshore E&C and Drilling.

HSE Training p. 54

COLOMBIA

Saipem has **434** employees in Colombia, of whom **97%** local. Saipem operates primarily through Petrex SA, whose activities relate mainly to Onshore Drilling. In 2012, the Puerto Nuevo project was completed via Saipem sa.

Local Communities p. 34, Environment p. 67

VENEZUELA

Saipem is present in Venezuela with **2,406** employees, of whom **98%** local. It operates mainly in Offshore E&C and Onshore Drilling through Petrex SA.

Human Resources p. 11, Local Vendors p. 27, Local Communities p. 36

PERU

Saipem has been present in Peru since 1983 and has **1,591** employees, of whom **98%** local. Currently, the Company operates through Petrex SA in both Onshore and Offshore Drilling.

Health p. 56

BRAZIL

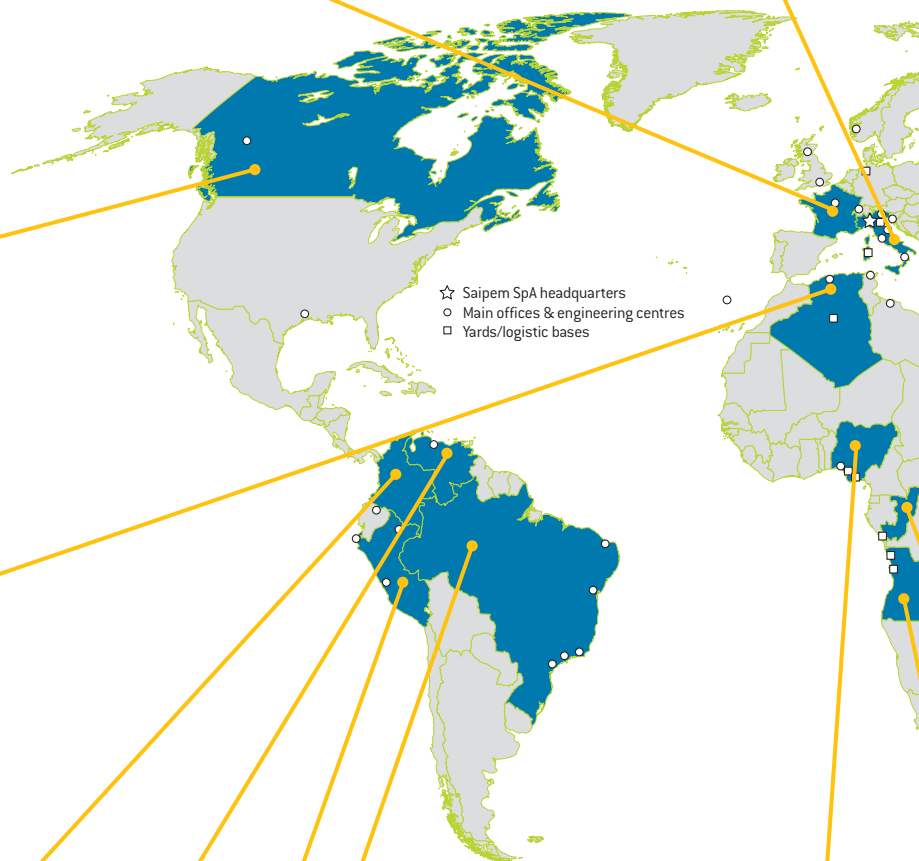
Saipem's presence in Brazil began in 2002. The Company counts **1,199** employees, of whom **59%** local. Saipem operates via Saipem do Brasil Serviços de Petróleo Ltda. The main activities are Offshore E&C and Onshore Drilling. A new fabrication yard in Guarujá is also currently under construction.

Local Vendors p. 24, HSE Training p. 55, Environment p. 69

NIGERIA

Saipem has been present in Nigeria since the mid-1960s. It has **3,771** employees, of whom **87%** local. Saipem operates through Saipem Contracting (Nigeria) Ltd and Saipem (Nigeria) Ltd, mainly in Offshore and Onshore E&C and Drilling.

Training p. 15, Local Vendors p. 27, HSE Training p. 54, Teledermatology p. 58, Malaria Prevention p. 59, Certifications p. 69



AZERBAIJAN

Saipem has been operating in Azerbaijan since 2001 and at year end 2012 had **314** employees, of whom **50%** local. Saipem is represented locally by Saipem Asia Azerbaijan Branch, mainly on Offshore E&C projects.

Local Vendors p. 25

KAZAKHSTAN

Saipem has been present in Kazakhstan since 1995 and at year end 2012 counted **2,858** employees, of whom **66%** are Kazakh. Saipem operates locally through Saipem Kazakhstan Branch and Ersai Caspian Contractor Llc. These companies operate mainly in Offshore and Onshore E&C and Offshore and Onshore Drilling.

Local Communities p. 32-33, HSE Training p. 55

IRAQ

Saipem is present in Iraq with Sajer, a 60% owned joint venture. The Company operates mainly in Onshore and Offshore E&C and Drilling and at year end 2012 counted 80 employees, of whom 33% local.

HSE Training p. 54

UNITED ARAB EMIRATES

Saipem is present in the United Arab Emirates with **3,293** employees, of whom **71%** local. Saipem operates mainly in Offshore Drilling and Onshore E&C. An important project currently managed is Shah Gas Development project.

Environment p. 66

CHINA

Saipem has been operating in China for over 40 years. The Company employs 60 people, 85% of whom are local. The Company operates locally through Saipem Beijing Service Co Ltd, based in Beijing with a new Branch in Shanghai.

Local Vendors p. 26

INDIA

Saipem has been active in India since 1983. In 2012 there were **1,315** employees, of whom **91%** local. The Company operates in the engineering sector through Saipem India Project Ltd.

Human Resources p. 15, Local Vendors p. 23

AUSTRALIA

Saipem is present in Australia with Saipem Australia Pty Ltd and Saipem (Portugal) Comércio Marítimo Sociedade Unipessoal Lda. At year end 2012, there were 933 employees, of whom 90% local. The Company operates mainly in Offshore and Onshore E&C.

Industrial Relations p. 18, Environment p. 66

CONGO

Saipem has been active in the Congo since 1975. Today it has **555** employees, of whom **38%** local. There are also **913** local people working through temporary employment agencies. Saipem's operating companies in the Congo are Boscongo sa, Saipem SpA Congo Branch, and Saipem sa Congo Branch. The main activities are Onshore and Offshore E&C and Drilling.

Training p. 18, Local Communities p. 35, Malaria Prevention p. 59

ANGOLA

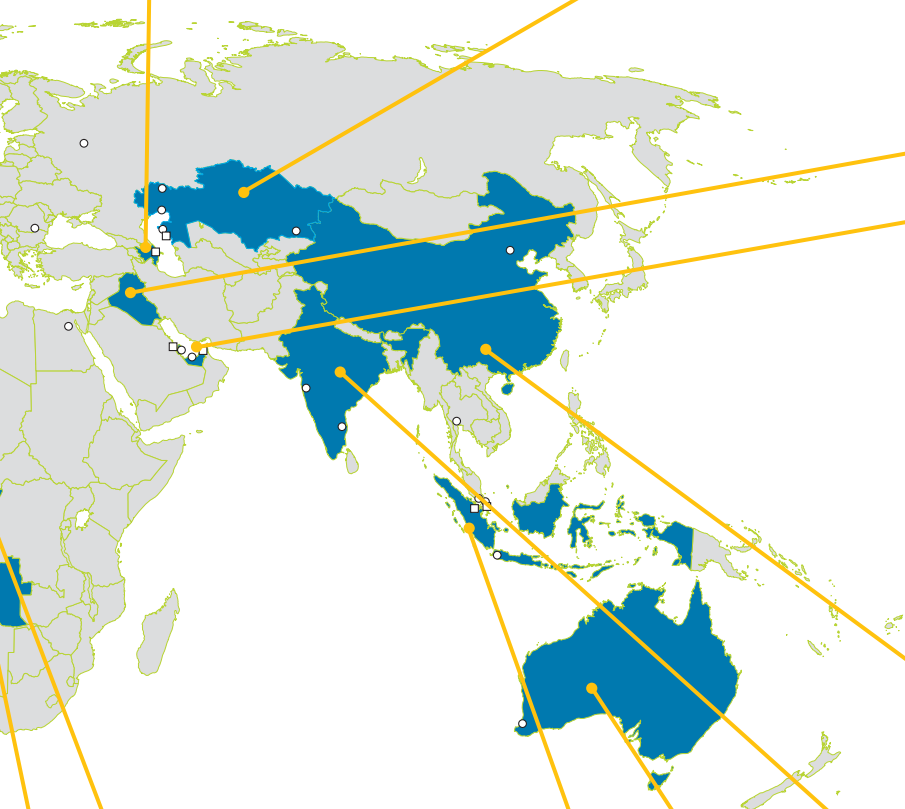
Saipem has been operating in Angola since 1982 and today has **2,682** employees, of whom **51%** local. **1,637** local people are also employed through temporary employment agencies. Saipem operates through Saipem SpA Angolan Branch, Saipem sa Angolan Branch, Petromar Lda, Kwanda Suporte Logístico Lda and Sagio - Companhia Angolana de Gestão de Instalação Offshore Lda. The main activities are Offshore Drilling and Onshore and Offshore E&C.

Socio-economic value p. 5, Training p. 16, Malaria Prevention p. 59

INDONESIA

Saipem has been operating in Indonesia since the mid-1980s and has 3,219 employees, of whom 85% local. It is represented locally by PT Saipem Indonesia, based in Jakarta, and a Branch in Karimun, where a fabrication yard is now operating. The main activities are in Offshore E&C and Offshore Drilling.

Socio-economic value study p. 7, Local Vendors p. 24, Stakeholders Survey p. 30, Local Communities p. 31, Environment p. 64



Sustainability as value generator

Valuing employees, leveraging their skills, promoting a Local Content strategy through employment and selection of vendors and, finally, sustaining the socio-economic development of local communities: these are the cornerstones of Saipem's operations which aim to enhance the Company's competitiveness and ensure its license to operate, while at the same time increasing the wealth of the communities in which it operates.

In 2009 Saipem began to implement a methodology to calculate the socio-economic footprint generated by its Local Content strategy in any given country. The Saipem Externalities Local Content Evaluation (SELCE) Model measures the positive effects of Saipem's activities on

local economies and societies by calculating the direct, indirect and induced effects of the Company's operations. While the direct effects are those linked to operations (i.e. direct employment, direct purchasing from local vendors and any taxes paid to local government), the indirect

Independent Expert's Report



Review by Stéphane Prévost

Year after year, Saipem develops and enhances its SELCE model which estimates the socio-economic footprint generated by its operations. In this model, direct impacts – defined by financial expenses made by Saipem and its suppliers and by their direct local employment – and indirect impacts – estimated from human capital development factors and employment generated by local economic enhancement – are calculated via a proprietary methodology. Starting with experiences and calculations made for operations in Angola, France and Indonesia, Saipem

provides the reader of the 2012 Sustainability Report with a comprehensive, worldwide picture of all studies the group has made on national operations up until now. In the future, the group aims to continue reporting on its main operations in this way.

Saipem's externalities evaluation is a valuable initiative that demonstrates its commitment to be an engaged actor in local development surrounding its operations. This can be considered a leading industry practice among energy services/equipment operators. To improve their reporting for stakeholders particularly

interested in this area of sustainability, I would suggest two things: that Saipem publish detailed information on the methodology and calculations used in the case studies, and that the Company presents an approach to identify and measure negative issues or ill effects that it has to cope with locally.

effects are measured by means of a quantitative survey on vendors that calculates the value Saipem's operations create along the supply chain. The induced effect is the value Saipem's operations generate as a contribution to the increase in household consumption levels thanks to jobs created by Saipem and its vendors. It is calculated on the basis of regional and national macroeconomic data and parameters.

The methodology measures three key positive impact categories, which best represent Saipem's Local Content strategy:

- economic output: as the overall financial impact generated by the payments made by Saipem and its suppliers to finance locally-sourced operating expenses and as taxes;
- employment: as the total number of jobs created by Saipem's operations, as direct jobs but also as jobs created along the supply chain and those created due to the increase in household income;
- human capital development: calculated as the overall economic value, in terms of increased life-time earning expectancy, associated with the training activities carried out by Saipem for its local employees.

The methodology has already been applied in several countries where Saipem operates: Peru, Angola, Kazakhstan, Algeria and Nigeria. These are characterised by different socio-economic contexts and different types of business for Saipem. In each of these countries, results show that Saipem's operations have provided a positive contribution far above the direct effect. This quantification underscores once more the strong efforts of Saipem to promote and maximise Local Content as a contribution to economic and social development and to the well-being of the local population.

During 2012 Saipem applied the SELCE methodology in Angola, France and Indonesia. In this latter case, it was integrated with other methodologies to calculate the social value created with the construction of the new fabrication yard in the Karimun Regency.

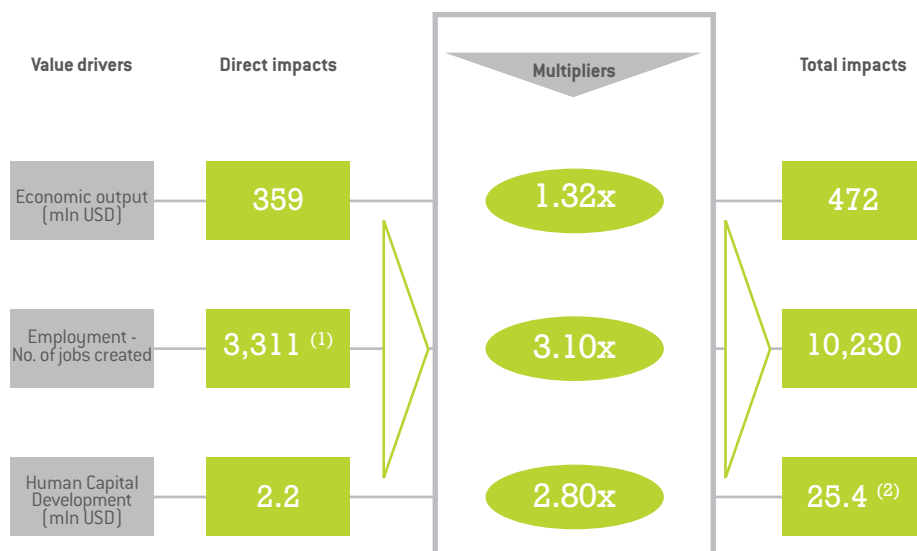
Updating the study for Angola to understand the economic benefits in 2011

Following the first study conducted in Angola in 2009, results were updated in 2012 to assess the socio-economic value created by the Saipem Group in that country during 2011.

Results of the SELCE study demonstrate that Saipem operations in 2011 generated significant positive socio-economic impacts in Angola, contributing to long-term development within the country in terms of wealth, skills and entrepreneurial capacity. As regards economic output, results showed that the Saipem Group's contribution to the Angolan economy was 1.32 times direct expenditure in terms of local purchasing, salaries and taxes, for a total impact of 472 million USD. The largest recipients of this contribution were local businesses (61%) and households (22%). The Province of Zaire, where the Kwanda logistic base is located, benefits from approximately 29% of the total economic output. In 2009, total economic output was calculated at 343 million USD. The results in 2011 thus represent a 27% increase in total economic output associated with Saipem Group operations.

In 2011, Saipem accounted for 0.34% of Angola's GDP, while in 2009 the percentage was 0.41%. However, this negative variation was mainly due to the increase in the country's GDP, which almost doubled in two years. Again in 2011, Saipem estimated that it created some 10,230 local direct, indirect and induced jobs in Angola,

ANGOLA - QUANTITATIVE RESULTS



Note:
 (1) Includes local manpower supplied by local agencies.
 (2) Calculated over a 5 year timeframe.

corresponding to an employment multiplier effect of 3.1. Thus, for each direct local job created by Saipem, an additional 2.1 local jobs, both indirect and induced, were generated. Jobs created along the supply chain benefit a variety of business sectors associated with Saipem's industrial activity, including, but not limited to, general services, catering and accommodation, sub-contracting, and equipment and material rental. Compared to 2009, the 2011 results represent an increase of nearly 2,000 additional jobs generated.

In terms of Human Capital Development, Saipem's investments in training (319 employees trained in 2011 with a direct expenditure in the country of 2.2 million USD) generated a total economic impact of 25.4 million USD over a 5 year timeframe.

Measuring economic impacts in France

Saipem France is an important organisational hub within the Group. It focuses on onshore and offshore engineering, procurement, construction and installation project management, as well as on technological development for these sectors (see page 48).

The aim of the study was to evaluate and quantify Saipem's capacity to impact positively on the local context in a developed country, despite the fact that operations are performed outside France. The study covered the activities of the Saipem Group in France in the years 2010-2011 with a focus on the Ile de France region.

The overall result showed that the contribution of Saipem to French GDP was 0.07% in 2010 and 0.06% in 2011.

The total cumulative economic output was 2,825 million euro with a multiplier effect of 1.90. Indirect and induced economic impacts of Saipem's activities weighed 47% on the cumulative economic impact. Local business benefited

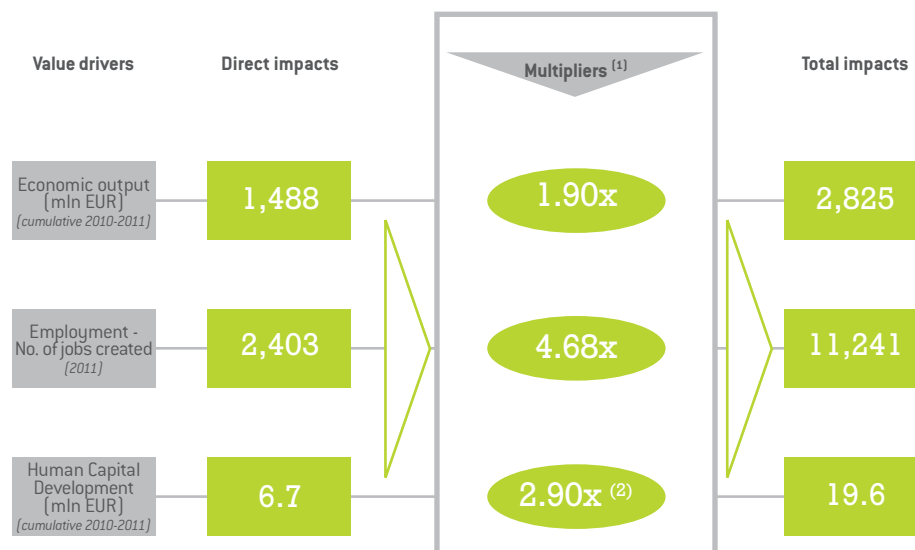
to the tune of 73% of total economic output, followed by households and government. In 2011, the Ile de France region benefited from 30% of the total economic impact generated by Saipem in France.

In one year (2011) Saipem generated a total of 11,241 jobs, with a multiplier effect of 4.68, meaning that for each direct job created by the Company an additional 3.68 jobs were created as indirect and induced effects. Engineering services and construction are the industries that most benefited from the creation of indirect jobs along the supply chain. In 2011, the Ile de France region accounted for 47% of the total employment impact generated by Saipem in France.

Between 2010 and 2011 Saipem trained more than 2,046 employees for a total of over 56,000 training hours. Expenditure in training of 6.7 million euro will generate an economic value of 19.6 million euro in society over a 5 year timeframe.

In the period under consideration, Saipem provided 21 end-of-study internships and 15 apprenticeships, with differential career development as a benefit. Saipem's investment in this educational programme generated a positive economic impact of 2.8 million euro in the French economy given by the sum of the students wages, taxes and household consumption. Additionally, it has been calculated that the average Saipem salaries during the apprenticeships/internship generates a reduced payback period of tertiary education cost compared to the payback period of an average French engineer. This is the combined result of the Saipem entry level salary and a reduced risk of initial unemployment. Results of the analysis of training and internship/apprenticeship programmes demonstrated that Saipem in France offers valid career opportunities.

FRANCE - QUANTITATIVE RESULTS

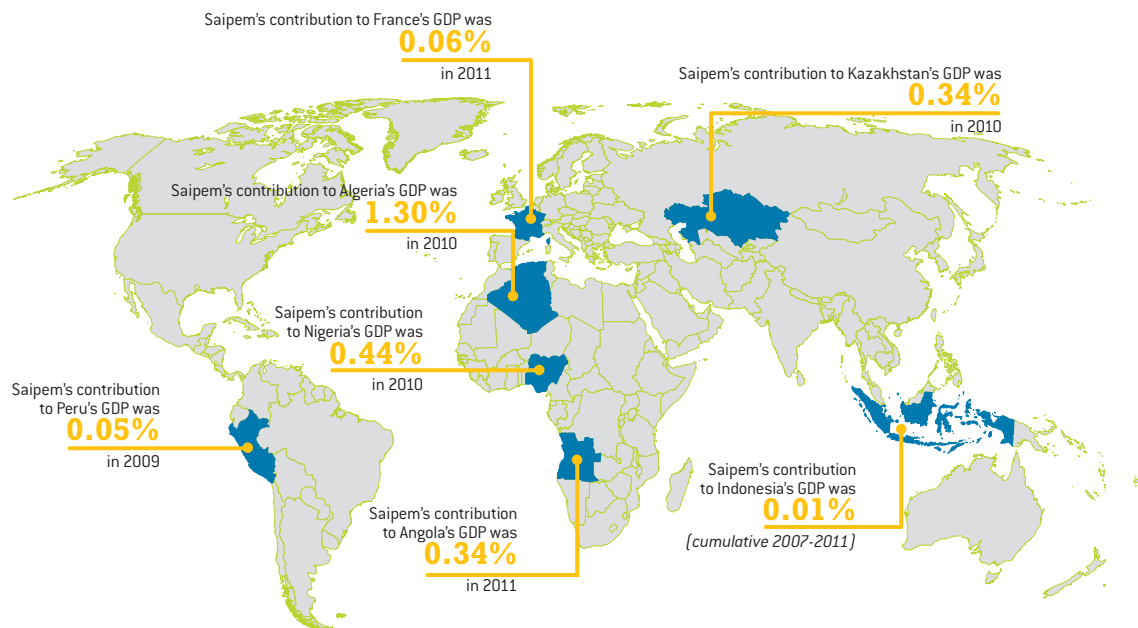


Note:

[1] Due to the rounding off of the multiplier values, in some cases the product of the direct effect and the multipliers differs from the total effect.

[2] Calculated over a 5 year timeframe

SAIPEM'S CONTRIBUTION TO GDP



Assessing the social and economic value generated in Karimun Island (Indonesia)

To understand and measure more effectively the impact generated by Saipem with the construction of the fabrication yard in the Karimun Regency (Indonesia), the scope of SELCE was broadened to assess wider social impacts by integrating it with a Social Return On Investment (SROI) approach. The internationally recognised framework developed by the World Business Council on Sustainable Development¹ was also considered, as were reputed concepts, standards and procedures such as the Theory of Change and Stakeholder Engagement. The outcome was the Social Value Created model. This was a combination of three implementation tools – the Saipem Externalities Local Content Evaluation (SELCE), the Social Return On Investment (SROI) and the Stakeholder Perception Survey (SPS), the latter of which was adopted to understand the perception of stakeholders and the importance they attribute to the impacts identified. The Social Value Created model identifies Saipem's activities as inputs which generate outputs (e.g. number of jobs created, tax revenues, etc.). Outputs have longer-term consequences, described as outcomes, intended or unintended, positive or negative, of which only a part is attributable to Saipem. The impact tree built in this sequence led to the identification of about one hundred potential impacts (both negative and positive) that Saipem generated on local and national economy and society. These impacts were then aggregated into 6 domains of societal progress (enterprise development, infrastructure development, governance, community development,

quality of life, ecosystem conditions). The model was applied to the entire construction phase of the fabrication yard in Karimun Island during the period 2007-2011. The results have been published as a case study by the WBCSD².

Economic impacts

Based on Saipem's Local Content strategy, the construction of the fabrication yard generated important economic impacts at local and national level during the period under consideration. About 46% of Saipem's total expenditure was in Indonesia and 18% in Karimun. These had multiple ripple effects in the local economy and resulted in a total economic impact of about 400 million USD generated in the Indonesian economy, 33% of which was in the Karimun Regency. The study estimated that for every dollar Saipem spent in Indonesia, an additional 0.83 USD was created in the country through indirect and induced economic activities such as local procurement by vendors, additional private consumption due to wages, and so forth. The overall economic impact of Saipem's construction operation in Karimun represented about 7% of the Regency's Gross Regional Domestic Product (GRDP). Construction of the yard created more than 1,400 local jobs over 5 years. Furthermore, the ripple effect in the local and national economy led to the creation of an additional 13,000 jobs in the national supply chain and in society. This means that for every direct job created, an additional 9.2 jobs were created or sustained.

[1] WBCSD 'Measuring Impact Framework' <http://www.wbcds.org/work-program/development/measuring-impact.aspx>

[2] <http://www.wbcds.org/Pages/EDocument/EDocumentDetails.aspx?ID=15365&NoSearchContextKey=true>

Social Value Created

The model was applied to the entire yard construction period 2007-2011, but considering that construction activities in Karimun started in 2008, most of the impacts were generated between 2008 and 2011.

In Karimun Island, the construction of the Saipem fabrication yard created important impacts on broader society estimated at 151 million USD. The main contribution to social value creation in Karimun was in the domain of enterprise development to a value of 119 million USD, which consisted of business opportunities for more than 100 direct local vendors. In addition:

- improved business practices and working conditions, widely recognised by local stakeholders, led to savings of 1 million USD from the prevention of health and safety issues;
- effects on community development amounted to 2 million USD through education opportunities and small community projects;
- 29 million USD were generated from an improved quality of life related to increased earnings through job creation and better material living standards from on-the-job training and investments in education;
- the negative effect evaluated at -0.1 million USD in ecosystem conditions is associated with the perceived reduction in fishermen's income due to temporary dredging activities during construction phase.

The construction of the Saipem fabrication yard also attracted investment to Karimun to the tune of 102 million USD, mainly in the form of domestic and foreign capital (86 million USD) that set the basis for future sustainable growth and social development, and local infrastructure development objectives agreed with local authorities for a value of 16 million USD.

At national level, the social value created is estimated at 549 million USD. The increase in value creation between the local and national level is mainly due to:

- the inclusion of a larger portion of the supply chain and

the employment effect at national level, leading to the creation of about 15,000 jobs and an economic impact of 451 million USD;

- 96 million USD in improved quality of life, as a positive consequence of economic activities and the employment created in the national supply chain, resulting in higher household earnings and consumption.

Social Value Perceived

The Stakeholder Perception Survey (detailed at page 30) helped understand the value stakeholders associate with changes in the socio-economic context. Results showed that Saipem's contribution is appreciated and recognised by local stakeholders, and also represents a good example for other companies in the region. In particular, stakeholders strongly recognised Saipem's good business practices and the opportunities they created, while the main concerns expressed were with reference to the impact of migrant workers on personal security and lifestyle, road safety, and the increase in local competition both for business and jobs.

151 mln USD

TOTAL SOCIAL VALUE
CREATED IN KARIMUN

549 mln USD

TOTAL SOCIAL VALUE
CREATED IN INDONESIA

102 mln USD

INVESTMENTS ATTRACTED
TO KARIMUN DUE TO
SAIPEM'S PRESENCE

96 mln USD

VALUE CREATED
AS IMPROVED QUALITY
OF LIFE IN INDONESIA

ECONOMIC IMPACTS IN INDONESIA OF THE KARIMUN YARD CONSTRUCTION PROJECT





Teddy Rahman, 'Knitting fish nets, knitting hope', Karimun Island, Indonesia

People: our success driver

People management is a key pillar of Saipem's pursuit of long-term sustainable growth. The diversity of Saipem's workforce, which consists of employees of different nationality, age and gender, gives the Company a competitive edge in today's complex environment.

Saipem reaffirms and is strengthening its commitment to promoting the development of local HR content initiatives and to supporting operating companies in their efforts to implement them.

Saipem considers Local Content to be the sum total of value added to or created in local economies through

an employment policy that seeks to stimulate the development of local human resources and encourage foreign participation in engineering, construction, drilling and services during project execution.

In 2012, the main investments concerned the organisation and monitoring of training programmes designed to develop

Independent Expert's Report



Review by Khalid Ghozani

In 2011, Saipem's sustainability report dedicated one chapter to explain the Company's distinctive approach to Local Content, and another to 'Making People a Strategic Asset.' This year the current chapter includes both themes, reflecting that Local Content challenges and the strategies to address them are part of a global approach whereby people are the driver of success. Indeed the current Global Human Resources System (GHRS) is an improvement, with features such as a quantified classification of competencies and the ability to

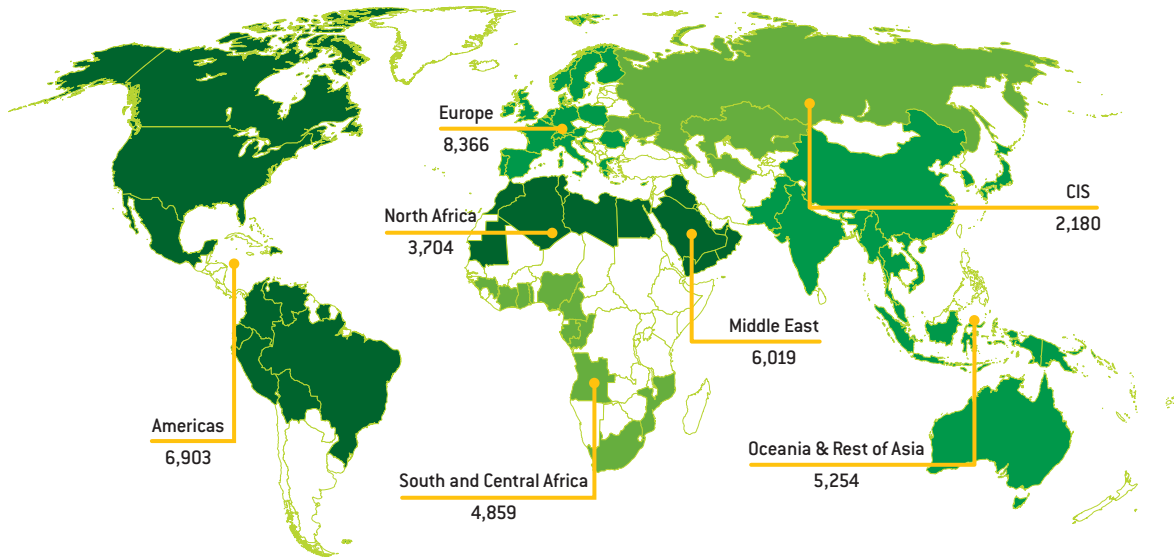
design a training matrix based on Company needs. When combined with self-service information systems, these tools immediately open the door to a wider, global pool of managers from which Saipem can identify and select relevant profiles for worldwide projects.

In comparable companies such tools have improved the visibility of local, aspiring managers and high potential employees, and facilitated access to development roles necessary for their careers. A manager in Brazil, for example, can effectively have direct access to profiles of local employees in West Africa and select relevant high-potential

profiles for his project. Such modus operandi reduces the inertia associated with managing human resources in big firms and accelerates the development of local managers through global exposure. Not only is this a good example of deploying a global solution for local problems (e.g. local HR content improvement), but the cross-pollination also provides opportunities for local solutions to be applied globally. Going forward, it will be relevant for Saipem to monitor the proportion of local managers to total managers (excluding France and Italy) in addition to the number of local managers. In 2011 that proportion was 938/2,033 or 46%.

LOCAL EMPLOYEES (No.)

Local employees as a percentage of the total workforce: ■ <60% ■ 60-70% ■ 70-80% ■ >80%



77% of the Company's 48,455 employees are employed locally, with the highest percentage in the Americas, the Middle East and North Africa.

the skills and competences of local and native employees, whose level of self-reliance is enhanced as technology and know-how are gradually transferred. Training and development were specifically targeted at young talents (via scholarship programmes and internships), as well as

future local managers and technicians (using theoretical lessons and practical exercises). These programmes confirm Saipem's strong commitment to promote Local Content as an integral part of its global business operations.

FOCUS ON VENEZUELA

Conflict Management Workshop



2,406

PEOPLE ARE EMPLOYED

56%

OF MANAGERS ARE LOCAL

2,361

ARE LOCAL

141,367

TRAINING HOURS WERE DELIVERED

Among their other skills, Team Leaders must develop the ability to reconcile different points of view, including instances when these are degenerating into disputes between members of the team. This will enable leaders to optimise performances and take full advantage of the different capabilities of each member. Conflicts can be managed even before they appear. Each Team Leader must be aware of the differences

between fellow workers that might lead to frictions and help them develop a capacity for tolerance, listening and understanding in a way that they will learn to reconcile differences and work as a collaborative team, which is far more productive than individual, uncoordinated work. This is why on April 27 and 28, 17 workers from the operational and administrative units participated in a Conflict Management workshop held at the Sarrapial Hacienda, in the city of Maturín. This was made possible by the joint efforts of the Sustainability and Human Resources departments.

Developing human capabilities and skills

Saipem works on the continuous development of human capital and prioritises merit in the evaluation process with no discrimination in terms of sex, age, religion or ethnic origin.

2012 saw the ongoing utilisation of the People Strategy, which in turn is linked to the Company's broader business strategy for selection, training, development and communications.

In line with this policy, Saipem completed the definition of its Employee Value Proposition (EVP), i.e. the overall experience that current and potential Saipem employees will acquire in exchange for taking part in Company projects. It also identified multimedia tools to diffuse and communicate the EVP and the integrated human resources development model used by Saipem, which will target both an internal and external audience.

Recognising the central role of manager in the creation of business-critical competencies

In keeping with work carried out in 2011, in 2012 Saipem SpA's HR department introduced Self-Service information systems which guarantee both employees and managers greater transparency, accessibility and clarity of HR processes and information, along with interactivity, dialogue and participation between the three key actors –

2.6 mln

TRAINING HOURS WERE DELIVERED

47%

OF EMPLOYEES ARE COVERED BY PERFORMANCE EVALUATION TOOLS

12%

OF SENIOR AND MIDDLE MANAGERS ARE WOMEN

2,605

EMPLOYEES ARE COVERED BY SKILLS MAPPING TOOLS

employee, manager and HR.

The new functionality gives each employee a personal area in which he/she can work to update his/her professional profile. It also gives managers access to the personal and professional data and CVs of their staff, thereby strengthening their role as resources managers. Managers can also supervise remuneration policy directly within the system.

The Self-Service functions will be deployed progressively not only to the other companies in the Group, but also to other major HR processes, such as recruiting and business analytics (reporting and dashboard).

These new features, along with others to be introduced in the near future, bear witness to the development of the HR function towards closer integration with Saipem's business and, above all, a closer relationship with the employee. Indeed, the GHRS (Global Human Resources System) has changed from being a mere system for administering and transacting business with staff to a complex management application open to a wider audience in support of HR strategy.

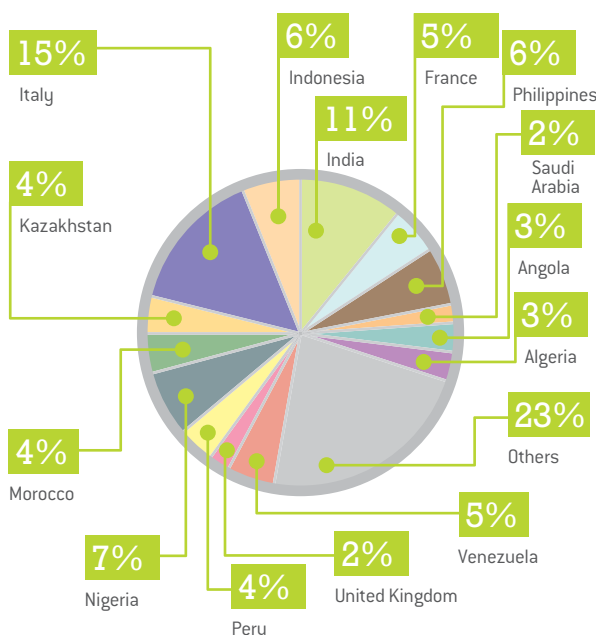
Review of Professional Roles

Saipem's Professional Roles system ensures a common professional language in which the same jobs have the same names in all companies in the Saipem Group. The general review, launched in 2011, was completed in mid-2012.

The purpose of the review was to rationalise and optimise the existing structure so that it was in line with Saipem's current business requirements that have continued to evolve over recent years.

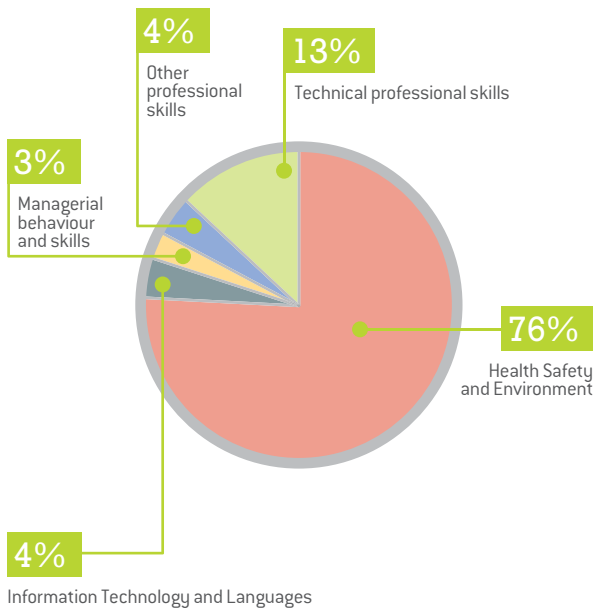
Further to this general objective, the review also provided a set of professional and personal competencies which can be certified by third parties (including clients) in accordance with standard international terminology. Specifically, the competencies were rationalised so that each Professional Role is defined only in relation

WORKFORCE DISTRIBUTION BY NATIONALITY



In 2012, 124 nationalities were represented among Saipem's employees.

TRAINING HOURS BY EDUCATIONAL CLUSTER



Out of 2.6 million training hours, approximately 2 million were given over to HSE themes.

to its essential components. The competencies of each Professional Role were then classified in terms of their criticality for the Role in question, and brought into line with professional development processes.

The solution adopted for personal competencies is the Eni Model of Excellence, which underlies all Eni resource development and management processes and unites competencies, abilities and personal conduct of excellence into five groups: Knowledge and Know-How, Courage to Change, Teamwork, Passion, and Setting an Example. The Model's personal competencies were applied to each Professional Role to highlight those which are specific to it.

Rationalisation and optimisation of training programmes

To support targeted development of specialised know-how and the leveraging of business-critical technical roles, in 2012 the 'Competence Assurance & Assessment (CA&A)' process was completed in Offshore Construction. Furthermore, in relation to the results obtained from the CA&A, the inter-departmental 'Offshore Construction Training Matrix' project was launched to analyse, map and define professional training and certification.

This activity, run in synergy with the review of professional

SAIPEM HIGH SCHOOL IN ITALY

In line with the key elements of the Employee Value Proposition, such as the value of personal growth, training by means of direct experience, and professionalism conceived as know-how and specialisation, Saipem's employment policy is oriented towards the selection of technical specialists, school leavers and new graduates. The Company has therefore continued to pursue its employer branding activities and to nurture meaningful collaboration with technical high schools. Specifically, during 2012, Saipem implemented the Synergy Project as a key factor in its partnership with schools. This is in keeping with the proposals of the Italian Ministry of Education and the European Community to create greater alignment and cooperation between technical knowledge and its use

in business. The Synergy Project is active in the Fermi technical high school in Lecce and the Volta technical high school in Lodi. In the former case, Saipem developed afternoon study courses to create a link between the subjects studied during school hours and their application in the Company. In the second case, and in compliance with the proposals of the Ministry for the redefinition of the school syllabus, Saipem is working to insert a new subject, Energy, into the Mechanics syllabus, with the Company's engineering specialists acting as teachers. A distinctive feature of the project is the international profile of certain activities, including the Summer Camp, in which deserving students (selected by Saipem in agreement with the school) follow

theoretical and practical courses in a multicultural context along with students from other countries.

In July 2012, 25 young people from the Istituto Fermi, together with 5 from Ireland, were hosted for two weeks at the Consorzio Elis, where they took part in teambuilding, project work and English language studies.

These courses have so far involved 30 young people from around Italy studying subjects related to offshore and drilling operations for a total of more than 1,100 hours of training. The 'Saipem High School' works in conjunction with this project to insert promising school leavers into the Company to help them kick-off their careers as technical specialists while contemporaneously supporting the in-house creation and development of critical technical resources.



Nanda Pangawiton, 'New baby born', Karimun Island, Indonesia

roles, aimed to assure effective monitoring of certification in observance of national and internal regulations, and to guarantee the know-how and skills required for the maritime profession.

A strength of the project was the implementation of a computerised workflow, a system of professional knowledge, competencies and qualifications designed to involve all stakeholders and monitor Saipem's human capital worldwide.

This process combines excellence in a given role with guaranteed maintenance of the high standards demanded by clients, all with the aim of overseeing technical and professional know-how and supervising training in health, safety and environmental matters.

Another important activity in 2012 was the further optimisation of Saipem's training centres. These global hubs ensure in-house control over Saipem know-how and promote modularised training for the development and consolidation of the technical knowledge specified for each Professional Role. The reinforcement and use of the Internal Faculty is supported by the training centres, within which expert teachers provide specialised training adapted to the needs of participants and their working contexts.

Commitment to continuous improvement

In 2012, the HR function confirmed its commitment to innovation of HR processes and tools. The aim is to become an Innovator Partner of Business, anticipating the latter's future needs and promoting changes to increment the efficiency of the services offered to the Line.

In the context of innovation, greater importance has been given to the Change Agents, i.e. key local contacts with whom Head Office can coordinate activities for the governance of HR processes. The Change Agents preside over and guide change management, and play a vital role in facilitating certification and assuring the deployment of new technologies, thus sharing local best ideas and practices.

In order to encourage improvement of processes and systems locally, each Change Agent is asked to share his/her ideas, priorities and requests with Head Office and with other Change Agents. This approach is both global and local: it promotes the idea of thinking globally to create Group processes and tools, but of acting locally in the light of local needs and practices. This change in perspective aims to open up to proposals that are capable of creating value and improving coordination of activities, while at the same time avoiding wasteful duplication, unsustainable demands from Corporate and the needless development of stand-alone tools.

The idea is to create a development group led by ICT

in Chennai (India) but open to the contribution of development teams in countries like Nigeria, Singapore and India, with the winning example of the open source development community as a point of reference. The experience of using common IT tools began to be shared and, under the umbrella of a Corporate HR activity, the above-mentioned innovative HR initiative, called 'Falcon', is now in place. The first contribution to the common software is a component from Singapore dedicated to travel management.

1,022

MANAGERS ARE LOCAL
(ITALY AND FRANCE
NOT INCLUDED)

9%

INCREASE IN LOCAL
MANAGERS
COMPARED WITH 2011

19%

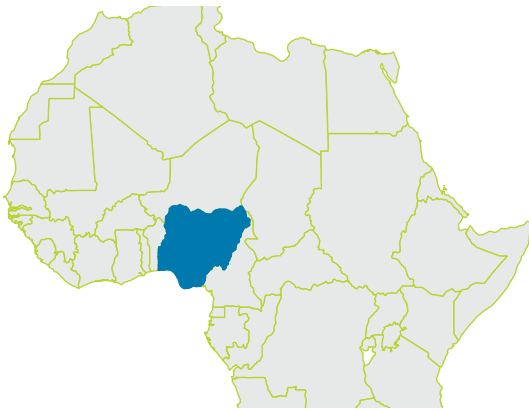
OF EMPLOYEES ARE
UNDER 30

64%

OF EMPLOYEES ARE AGED
BETWEEN 30 AND 50

FOCUS ON NIGERIA

Capacity building initiatives



3,771

PEOPLE ARE EMPLOYED

59%

OF MANAGERS ARE LOCAL

3,268

ARE LOCAL

138,558

TRAINING HOURS WERE
DELIVERED

In order to achieve the goal of indigenous capacity building as required by the Nigerian Content Development and Monitoring Board (NCDMB), SCNL is involved in a variety of initiatives, among which are the following.

Graduate programme

SCNL has successfully completed more than 90,000 training manhours for young unemployed graduates on its projects. 68 graduate trainees have taken part in Subsea Design, Quality, HSE and Project Management entry level programmes since 2008. A total of 30 graduates from different educational disciplines and cultural backgrounds were selected to participate in the 2012 scheme. The period for capacity building was twelve months from September 2011 to September 2012. Ten trainees are still undergoing training as at the end of 2012. With a view to equipping them with professional knowledge, increasing their employability and broadening the scope of their experience, the graduates underwent a series of classroom based sessions on Project Management, Multicultural Team Building, Entrepreneurial Development and Leadership and Communication skills as well as on-the-Job training. Some of the scheme's previous participants have been employed by Saipem.

Technical/Vocational Training

Saipem vocational training focuses on welding and pipe fabrication. Some of the areas covered include:

- SMAW:
 - Weld execution passes
 - Pipe end preparation and pipefitting process
- Pipefitting:
 - Identification of materials
 - General safety at work
- Dimension verification:
 - Fabrication fitting orientation
 - Bolted connections
 - Plate and pipe cutting using oxy-fuel

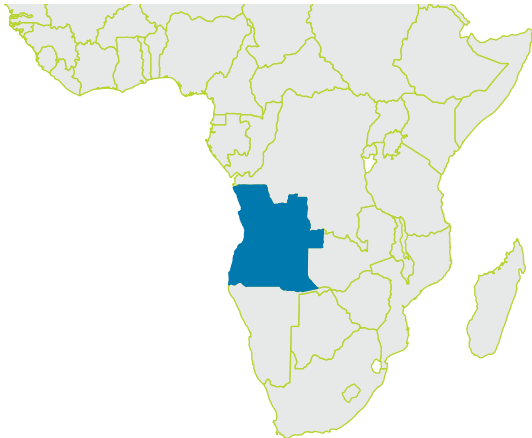
The Company trains 40 young people each year from the Rumuolumeni community where the fabrication yard is located. These are divided into 2 groups and assigned to the welding and pipefitting training sections, respectively. Vocational skills training is also conducted at other project locations for local youths.

Internship programme

SCNL offers opportunities to undergraduate students from Universities, Polytechnics and Technical Institutes in Nigeria to put their knowledge into practice by means of on-the-job-training. The internship scheme cuts across various disciplines such as Engineering, Computer Science, Science Lab Tech and Bio Chemistry. The trainees follow a programme set by their department and receive a salary during their internship. In 2012, SCNL had 54 interns for a total of 33,604 manhours.

FOCUS ON ANGOLA

Implementation of the Angolanisation Plan in the Drilling BU



2,682

PEOPLE ARE EMPLOYED

23%

OF MANAGERS ARE LOCAL

1,380

ARE LOCAL

1,637

PEOPLE ARE HIRED THROUGH EMPLOYMENT AGENCIES

The Angolanisation Plan is the next five-year challenge and emphasis must be on local resource development. Saipem is actively working to achieve adequate implementation of the Plan through its National Human Resources Policy. To achieve this target, the Company has structured a Competence Development Plan, which includes:

- Recruiting process:
 - Hiring plan
 - Request for staff
 - Recruitment procedure
- Managing competence development:
 - General process
 - Personnel evaluation and yearly appraisal process
 - Developing and implementing the yearly training plan
- Specific process for fast trackers:
 - Identification of fast trackers (potential employees)
 - Personnel integration operational committee

In particular, a Saipem Training Centre was set up in May 2012 to develop the technical skills of local resources. The Training Centre has implemented an energetic theoretical classroom syllabus reinforced by on-the-job training offshore. The aim is to ensure an increase in personnel skills. The professional development of potential candidates should lead to the future substitution of expatriates. A five-year monitored plan has been developed to follow all individual cases. All specificities are recorded, such as initial position, qualification, training progress, status inside the Angolanisation Plan and target date of transfer to job positions currently covered by expatriates. In December 2012, the Drilling BU had 204 local workers, 157 (77%) of whom had been integrated into the Angolanisation Plan. Of these 157 Angolan workers, 109 are already covering expat positions and the other 48 are in the process of achieving this goal.

Saipem Training Centre

The Training Centre's priority is to ensure proper integration of employees into key positions according to the Company's Competence Development Plan (CDP) and its National Human Resources Policy objectives within the framework of the Angolanisation Plan.

The course syllabus is designed primarily to offer different types of training courses to Company supervisory staff at all levels. These have the responsibility of managing the CDP within their respective areas. Luanda Training Department staff are in charge of organising all training activities.

There are fifteen courses proposed on the syllabus, among which technical (welding, mechanical, electrical), drilling (equipment and techniques, IWCF familiarisation), safety (BOSIET, advanced fire fighting, risk safety analysis, H₂S prevention) and languages (English and Portuguese).

Depending on the complexity of courses, they are performed either in-house or via outsourcing. Internally, the Training Centre has developed three modules on drilling equipment and techniques to train drilling personnel as floor men, derrick men and assistant drillers. The first course, Basic Drilling, has the following modules.

Module 01 (5 days): Onshore and Offshore Platform Classification, Drill Pipe Equipment and Drilling Fluids and their Application.

Module 02 (4 days): Revision of Module 01, Casing and Cementing, Well Head, Accumulator Pressure, Blow Out Preventer (BOP), Choke Manifold, Mud Tank System, Well Testing and Accident Prevention at Work (Anti-Fall Devices and Work at Heights).

Module 03 (4 days): Revision of Module 02, Drilling Fluids, Mud Losses, Solid Control, Types of Mud, Mud Characteristics and Safe Chemical Handling.

All students receive manuals, booklets of technical terms,

and videos and photos taken on Saipem drilling platforms to give a real understanding of equipment and working conditions on sites.

Language courses are another in-house activity performed at the Centre. Provided mainly for local employees, English is considered essential for proper use of Corporate tools and effective communication within the Group. Portuguese courses are also given for expatriates in order to facilitate know-how transfer to local employees.

For specific training sessions, the Centre has identified six local educational institutes accredited by MAPESS (Ministry of Public Administration, Employment and Social Security). These are used mainly for technical courses for local employees. For specialised training courses and STCW 95 maritime certification the Company enrolls its employees abroad in South Africa (Cape Town University), Italy (Eni University) and Brazil (Maplo Training Centre). The Training Centre was set up in Luanda at the 'Rei Katyavala' building. This achieved 10,008 training hours (89% in-house) in less than one year, trained 258 workers and established 2 scholarships with local universities. In addition, a team of permanent English teachers resides onboard Saipem offshore units to reinforce the training activity.

The Training Centre plays a key role in ensuring Local Content development in terms of technical training and implementation of the Angolanisation Plan. A separate budget to increase the activity up to 25 courses is therefore planned for its continuing improvement.

Training for the new Engineering Centre in Luanda

In order to meet the increasing challenges of deepwater activities, in which Saipem has long-standing experience, the Company started a new investment scheme to create an engineering company in Luanda using mainly Angolan

personnel in all key roles. The aim is not just to recruit Angolan personnel but above all to train and transfer know-how to them, with the ultimate goal of handing over roles of responsibility to locals.

In a perspective of creating the new Engineering Centre in Luanda and staffing it with people capable of bringing engineering projects to fruition, specific technical training for newly employed young graduates was required.

The first programme started at the beginning of 2012, when, after a preliminary full-time English course, 40 graduates began a three-month training period at the Saipem Engineering Centre in Fano (Italy).

The training programme had two main parts. The first, which trainees from all disciplines attended, covered general aspects and provided a global overview of the Company. The first lesson was devoted to Leadership in Health and Safety (LiHS), underscoring the attention and care that Saipem pays to health and safety at work in every corner of the globe. A simple but high level description of Saipem, its organisational structure and all of its project management disciplines was conducted, since everyone, at all levels, should have a global vision of the context in which they will be working.

The second part was a more specific training session. Trainees were divided into small groups based on the different disciplines that will become their area of specialisation, as per the organisational chart. In terms of offshore activities, emphasis was given to the choice of materials, the design of pipelines and subsea structures, and to subsea and umbilical control systems. As for onshore, the areas dealt with were key design activities including structures, machines and processes, as well as the traditional specialist disciplines such as piping, control instruments and systems, and electrical systems.

Training in Fano, Italy



Training Centre in Luanda, Angola



FOCUS ON CONGO

Supporting national technical education



555

PEOPLE ARE EMPLOYED

57%

OF MANAGERS ARE LOCAL

211

ARE LOCAL

913

PEOPLE ARE HIRED
THROUGH EMPLOYMENT
AGENCIES

The Saipem Pointe-Noire Port Project has developed an initiative in support of national technical education. The programme is carried out in conjunction with the Ministry of Professional Technical Education in the framework of Local Content activities as defined by Saipem sustainability standards. A survey of national technical high schools carried out in late 2010 in Pointe-Noire showed a marked lack of equipment and internship opportunities for national technical students. The main objectives of the programme are to provide practical training experience to students from national technical schools in a way that will improve their employability after graduation and leave them more open to job opportunities.

The programme formally started in January 2012 when the 2 best students from Thomas Sankara Technical High School were selected following operational and technical

meetings between Project Management, the Sustainability Team and National Technical Schools.

The Thomas Sankara Technical High School teaches Civil Engineering. This is in line with the Saipem Port Project's objective which is the construction and extension of Quay G1. Practical training is carried out in line with the national technical school syllabus. The first group of students started on July 9, 2012 and finished on October 18, 2012. They were tutored by their department heads (Quality and Topography) through daily activities and assignments. Significant progress was made by the students during the programme. Each submitted a technical report that received praise from Project Management. In addition to practical training, the programme also increases the student's employability and in fact the two students received job offers from the Saipem Pointe-Noire Port Project. The programme is expected to continue in 2013.

International Industrial Relations

Following the implementation of a more centralised approach to ensure a globally integrated employment relations practice which combines the Company's social responsibilities with its business objectives, Saipem has consolidated its processes aimed at mapping and coordinating all industrial relations activities throughout the Group.

While leaving the primary responsibilities for labour and employee relations at local level, and therefore reaffirming the Company's belief that the wealth of values and experience of Saipem is deeply rooted in the local context of the countries where it operates, the integrated approach enables the Company to

further its efforts to enhance human capital with specific reference to local resources and to the social development and interests of the host communities. The unconditional acknowledgement and implementation of ILO (International Labour Organisation) core conventions and OECD (Organisation for Economic Co-operation and Development) guidelines for multinationals form a strong pillar in the management of Company activities. Active participation in the negotiation and signing of a new agreement with the unions in Australia, and the coordination of industrial relations in Libya and North Africa in general, are just a few examples of the effectiveness of the integrated model adopted by Saipem.

Preventive security: management of relations during bid phase

Security must meet the requirement of best risk mitigation, according to International Best Practices and Saipem's Corporate Security standards, without affecting either the normal conduct of production/business activities or the cost/benefit ratio of the solutions adopted.

The security model adopted by Saipem requires organisation, instruments and procedures which, in compliance with the regulations in force in the countries in which it operates, are compatible with the business and dynamic nature of a contracting company and are aimed at:

- ensuring an adequate level of security for assets, people, employees and third parties;
- implementation in Saipem's administrative and operating offices;
- the prevention and timely management of risky situations, particularly in countries with unstable socio-economic-political conditions, taking into account business needs but at all times based on the principle of respect for human rights and following the Company's Code of Ethics. To this end, the Company takes a proactive approach to mitigating risks as an integral part of its management and business activities;
- creating the right environmental conditions to develop projects and meet business objectives within the set deadlines and without interruption;
- encouraging its partners and contractors to behave according to Company security standards.

The Security Management System Guidelines (MSG) define the

organisation and management model for so-called atypical or security risks within Saipem SpA and its subsidiaries, in order to:

- ensure 'Duty of Care' to employees;
- prevent liabilities from arriving at Top Management level.

The Security MSG establishes the duties and responsibilities of Managing Directors and Branch Managers in their role of Security Implementation Officers (Employers) responsible for the protection of personnel and assets, with specialised technical support provided by the relevant Security function, whether at Corporate or project level.

Following the issue of the Security MSG and of the Security Golden Rules (best practices transferred into essential rules and limits), the Security function has been integrated into the business cycle from bid phase throughout the execution phase of each project.

During bid phase, the Saipem Security function (SECUR) produces a document which, in line with procedures and criteria defined in a specific regulatory tool (the Project Security Execution Plan - PSEP), details the results of the risk assessment and subsequent mitigation measures in order to estimate the project's security costs to be included in the bid preparation phase. Even if the client has no security requirements, Saipem must still implement its own. The PSEP is included in the Project Execution Plan (PEP).

During project execution phase, the Project Manager/Project Director, supported by SECUR, must verify that the PSEP developed in bid phase is available. The PM/PD must furthermore:

- determine whether mitigating security measures identified during bid phase and incorporated into the PSEP are still valid and that existing threats are being addressed adequately;
- ensure that during the entire project execution phase the security risks are identified, analysed, incorporated into the PSEP and managed according to Saipem Security Guidelines.

This is made possible thanks to the synergy between the SECUR, MARF (Maritime Certifications and Flags Management Manager) and BALO (E&C Logistics Bases Management) functions.

In January 2012, Saipem organised its first Annual Security Meeting in Zurich, attended by all Area Security Managers, but also by the Operational Risk & Opportunity and Knowledge Senior Manager, the MARF Manager, the BALO Manager and the Sustainability Manager.

Compliance with the new Golden Rules will be the KPI for monitoring implementation of the Security organisation at project level.

72%

OF SECURITY CONTRACTS CONTAIN CLAUSES ON HUMAN RIGHTS

132

SECURITY ASSESSMENTS WERE CARRIED OUT DURING THE YEAR

Building a sustainable supply chain

Saipem invests in strategic long-term collaboration geared towards maximising value for stakeholders. In the procurement process, this is expressed in the Company's focus on optimising local procurement while at the same time guaranteeing equal opportunities for all vendors.

All Saipem activities are channelled towards the long-term growth of the Company's asset, managerial, technological and knowledge values, as well as the creation of value and well-being for stakeholders. The procurement process is governed by this principle in each and every phase, from the planning of purchases (which helps satisfy needs by optimising times and costs) up to the management of the contracts once they have been awarded. The latter is

a crucial moment requiring cooperation and alignment of needs between Saipem and its vendors in such a way that shared objectives can achieve maximum results. In carrying out its procurement activities, Saipem gives priority to the control and supervision of all actors involved in the process. From the moment the need arises for goods, services or materials, a standardised process is applied. This not only ensures that all stages are carried

Independent Expert's Report



Review by Ana Maria Esteves

The higher profile given to sustainability performance in the supply chain advances Saipem's reporting. In light of recent standards, clients are placing greater obligations on large contractors to push responsibility down the supply chain and Saipem responds through capacity building amongst vendors. However the relevance of Frame Agreements needs strengthening by reporting the number which include specific provisions to increase sustainability performance.

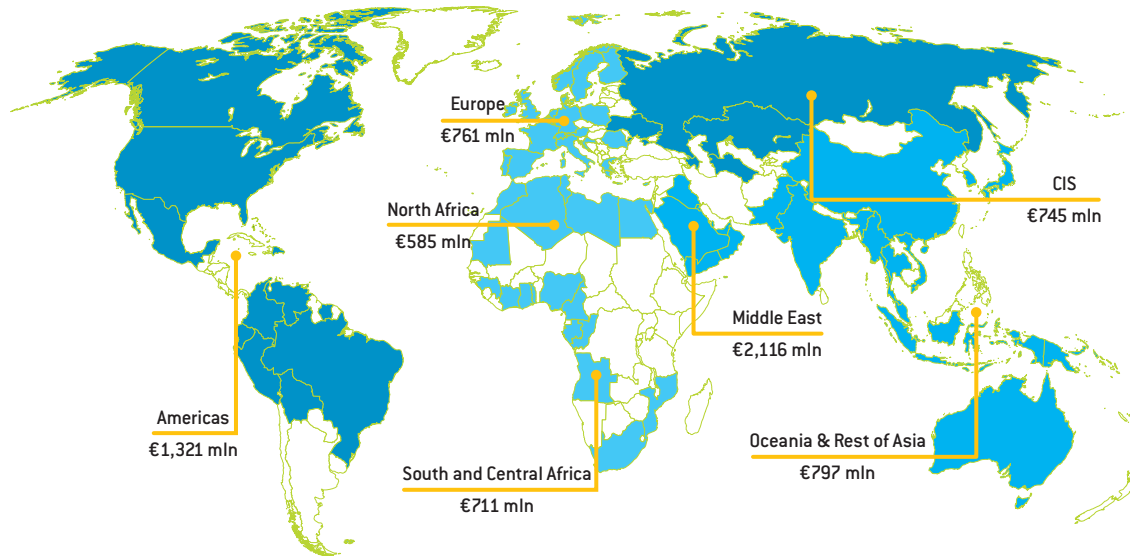
While the presented cases contain elements of leading local procurement practice, the

criteria for selection should be clearer. Also, such examples should be complemented by evidence of corporate efforts directed towards embedding learning in other operations. The report could be bolder on Saipem's stance toward compliance to local content regulations and PSA commitments, and trends should be included along with measures such as local spending. The India and China examples demonstrate active low-cost-country-sourcing, which local communities often view negatively. Local content and low-cost-country-sourcing appear as competing objectives, unless there is evidence of linkages between India/China

suppliers and local vendors to ensure benefits to host countries. Finally, the Indonesia story makes a crucial point: 'to maximise the reliability of local vendors, and while it may incur a cost in the short term, it should yield fruit over a longer time period'. Investing in sustainability performance requires longer term horizons, short term trade-offs and heightened governance. The report should mention the supply chain sustainability themes reviewed at board level in 2012.

LOCAL SUPPLY CHAIN

Percentage of local orders calculated considering the total amount ordered for operating projects: ■ <40% ■ 40-50% ■ 50-70% ■ >70%



In 2012, Saipem ordered €9.58 billion of materials and services, of which €7.8 billion were for operating projects and the remaining for asset investments and staff costs. Of the total amount ordered for the operating projects, more than 52% was supplied by local vendors (vendors located in the same country as the project for which the order is made). The map above shows the amount in millions of euro and the percentage of local orders by each geographic area of activity.

out in full observance of laws and regulations, but also that the best possible performances are obtained. Indeed, all functions involved in the procurement process a) uphold the utmost ethical principles when engaging with vendors, b) comply with the laws in force and with Saipem's Code of Ethics and c) protect the Company's image on the market. An important element in the supply chain is the vendor qualification process, through which the technical and managerial capability of a vendor can be checked and monitored objectively, as can its ethical, economic and financial trustworthiness. Within a perspective of sustainability, vendor assessment must comply with the principles of transparency, equal treatment and the Saipem Code of Ethics.

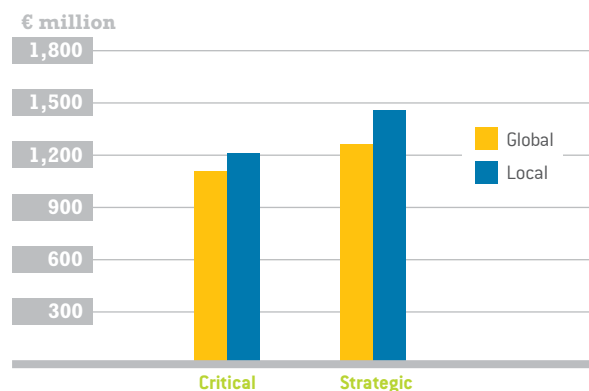
The qualification process is differentiated on the basis of the criticality level of the goods, services or work supplied as well as the level of risk associated with the type of vendor. Specifically, Saipem selects vendors that can provide references and guarantees for their proficiency in relation to:

- combating bribery and corruption
- environmental care and protection
- promotion of safe and healthy working conditions
- protection of freedom from discrimination
- prohibition of forced labour and child labour
- freedom of association and the right to collective bargaining

During the qualification process, the vendor must sign a Vendor Declaration in which it agrees to act in strict observance of the principles set out in the Saipem Code of Ethics and at all times with respect for human rights,

in compliance with the Group's Sustainability Policy. It further declares that it has met all of its legal obligations towards its employees in relation to remuneration and to social welfare and insurance contributions. As regards contracts, Saipem has inserted into all its general procurement conditions a sustainability clause according to which vendors must declare that they have received and recognised the contents of the Company's Sustainability Policy and that they undertake

CRITICALITY OF GOODS AND SERVICES



Out of a total of €5 billion in orders for critical and strategic commodity codes (goods and services that are vital for ensuring the quality of Saipem's offer), almost 53% was from local vendors.

to act in accordance with it. All vendors must likewise agree to mitigate whatever risks may arise from their operations and ensure that the latter do not, under any circumstances, imply unacceptable risks to people or the environment.

Monitoring of vendors is via a feedback management process in which vendor performances are scored in terms of punctuality, quality (including observance of HSE requirements), behaviour and professional ethics. In the event of negative feedback or specific reports related to critical facts and/or events that place in doubt the vendor's ability to satisfy the minimum procurement requirements, including care and protection of the environment, health and safety principles and social responsibility, the Company implements monitoring procedures which, in extreme cases, can lead to the temporary suspension of the vendor or the rescinding of its vendor qualification. In this latter case, the vendor can also be excluded from the vendor lists.

Saipem is committed to creating value for all its

stakeholders and to contributing to the sustainable development of the countries in which it operates. The principles and practices of sustainability implemented by Saipem are also promoted and circulated among the Company's partners, vendors and clients, with whom relations of mutual trust and continuous cooperation are established and strengthened.

In this regard, the many initiatives undertaken for the transfer of know-how, or for the training of local vendors on themes such as health and safety regulations (i.e. the use of personal protective equipment), have meant that, after many years of cooperation with Saipem, an increasing number of vendors have expanded the range of goods and services they make available and have likewise boosted the technological complexity of their supplies.

By following precisely this strategy, Saipem has been able to ensure observance of its principles of sustainability while at the same time meeting its procurement needs and contributing to the growth of local companies and communities.

Saipem campaign for vendor social responsibility

As a continuation of its review, launched in 2011, of social responsibility issues in its supply chain, Saipem has organised a new audit campaign at its vendors' premises with the following objectives:

- to increase the number of vendors subject to review

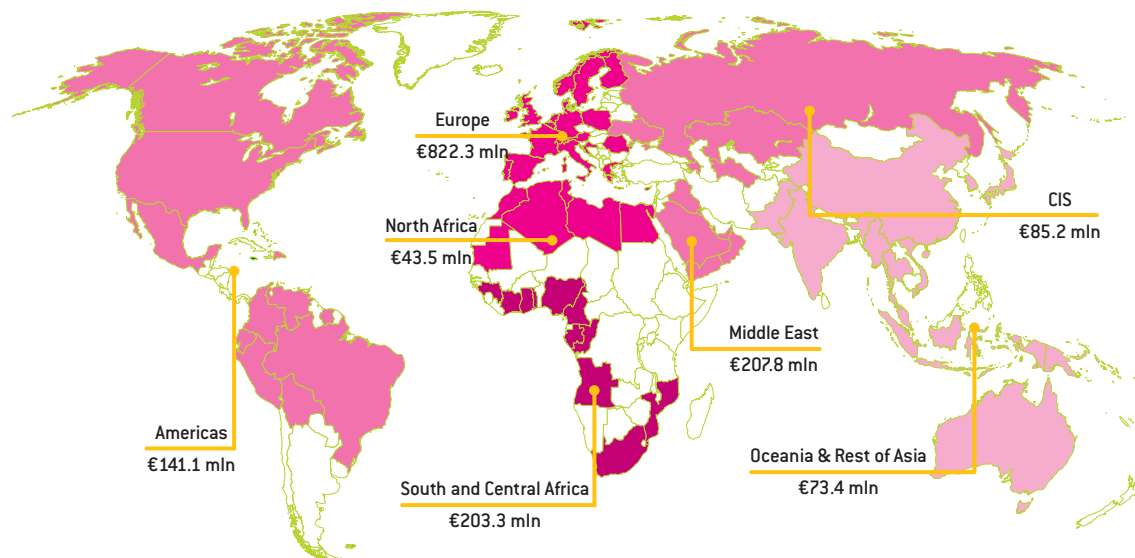
in relation to child and forced labour, freedom of association and right to collective bargaining, remuneration, working hours, discrimination and disciplinary practices, and health and safety;

- to follow up on the improvement actions requested of a

ORDERS UNDER FRAME AGREEMENTS

Orders under Frame Agreements as a percentage of total orders:

<10%
 10-14%
 15-20%
 >30%



In 2012, €1.57 billion of materials and services (16.4% of the total) were ordered under frame agreements. These are annual or multi-year procurement accords designed to set terms and prices for the purchase of goods or services bought on a continuous basis. The graph shows the total amount ordered under Frame Agreements by geographical area of activity and as a percentage of total orders.

number of vendors audited in the context of the 2011 campaign.

In 2012, 19 new vendors were audited in the following countries: Brazil (2), China (6), South Korea (2), India (8) and Turkey (1).

The results of the inspections were summarised in audit reports and submitted to the Saipem Sustainability Committee for review.

The 2012 campaign confirmed the results of the previous year, in particular:

- health and safety issues were the main areas of concern, along with remuneration in a few cases and,

more generally, the vendor's management of its own supply chain;

- no cases of child or forced labour were encountered nor, in general, were any cases of discrimination or exploitation, or restrictions of freedom of association and representation.

As for the 2011 campaign, improvement actions were proposed where appropriate, and these will be monitored during the course of 2013.

The follow-up involved analysis of the results of the 2011 campaign and further inspections for 7 vendors (3 in China and 4 in India), to verify the status and implementation of the proposed improvement actions.

FOCUS ON INDIA

Indian Vendor Day



629

INDIAN VENDORS ARE
QUALIFIED

76%

OF TOTAL ORDERS
IN INDIA WERE
FOR STRATEGIC
AND CRITICAL GOODS

The Procurement Centre in Saipem India Projects Ltd was created in 2007 to kick off the Indian Vendor Development Campaign with the purpose of identifying and developing potential and reliable Indian vendors of interest for Saipem at Group level and supporting them during their qualification process.

The main objective of the Procurement Centre, based in Chennai, is to scout, qualify and increase purchases from new Indian vendors by monitoring and improving their competitiveness, ensuring their reliability and quality through robust assessment and qualification processes, and helping them enter the international market in order to be qualified by major global Oil&Gas companies. The advantages of the Indian vendor market are the availability of large production capacities for most of the commodities required for a project, adequate engineering capabilities to satisfy international clients and, most importantly, the advantage of being geographically located between the Middle and the Far East.

The purchasing trend from Indian vendors has shown a significant increase during the last 3 years, confirming that the Indian market plays a strategic role in Saipem's future plans.

On October 15, 2012, an 'Indian Vendor Day' was organised in New Delhi to provide a platform for Saipem

Top Management and representatives of Indian vendors to discuss ways and means to take their respective businesses forward.

Saipem Top Management was represented by the Deputy CEO, the Procurement Senior Vice President, the QHSE & Sustainability Senior Vice President, the Plant Engineering Vice President, the Group Procurement Coordination Vice President and the CEO of Saipem India Projects Ltd.

The event was held under the patronage of the Italian Ambassador in India and saw the participation of the Managing Director of Eni India Ltd.

More than 100 delegates, representing 36 Indian vendors, were present. Some Indian vendors spoke about their experience based on their recent or on-going supply to Saipem, good practices, criticalities faced by the vendor during project execution and, finally, any lessons learnt. The case study session was followed by an interactive Q&A between Saipem Top Management and vendors' delegates.

The event was a successful experience both for Saipem and the Indian vendors and will hopefully spark a new Saipem/Vendor business model of excellence.

FOCUS ON BRAZIL

Local Content development



As part of the development of the new Offshore Construction and Technology Centre at Guarujá in the State of Sao Paulo, Saipem has launched a local scouting campaign with its Corporate Procurement facility to increase the number of Brazilian vendors on its Vendor List and also to ensure an appropriate level of Local Content to its Brazilian projects.

At year end 2012, the Saipem Vendor List included more than 3,000 Brazilian vendors, either qualified or undergoing the qualification process, of whom 30% were identified during the scouting campaign run during the year.

Furthermore, starting from the second half of the year, special attention was given to finding and qualifying local vendors for the construction of the Guarujá Centre. This campaign was wide-ranging and covered a large number of

categories, including the supply of services, materials and equipment, with special attention to:

- coating
- steel and piping fabrication and erection
- engineering

The scouting project is still underway, and will continue into 2013 to expand the categories of goods under consideration, including offshore project activities, and to carry out on site audits.

In the area of Guarujá a number of meetings were held in 2012 with potential local vendors to present Saipem and its purchasing requirements and to launch a collaboration which also envisages the transfer of know-how. These initiatives are part of the Protocol of Intentions signed between Saipem do Brasil and the Guarujá City Hall in May 2012. This agreement aims to promote Local Content, in terms of both job opportunities and local business. In this context, Saipem avails of periodic meetings with local suppliers to guide them in the process of qualification for their organisational, financial and technical skills, and evaluate them in accordance with Saipem standards of quality, health, safety and environment.

Two meetings were held, in May and August 2012 respectively, with the participation of around 140 local vendors. During the meetings, the opportunities for growth of local businesses and Saipem's standard vendor qualification and management procedures were presented and discussed. As a result, around 60% of participants initiated the Saipem qualification process. The presence of the local media at these events help spread the news throughout the area.

FOCUS ON INDONESIA

The Local Content Qualification Programme



59%

OF TOTAL ORDERS WERE LOCAL

79%

OF TOTAL STRATEGIC AND CRITICAL GOODS ORDERED FOR PROJECTS CARRIED OUT IN THE COUNTRY WERE LOCAL

Starting in August 2012, PT Saipem Indonesia (PTSI), with the coordination of Corporate Vendor Management (VEMI) and the China Sourcing Centre, launched the Indonesia Local Content Qualification programme for

the scouting, inspection and qualification of Indonesian vendors. The objective was to maximise the number of qualified local vendors and identify the level of Local Content of each one involved in the programme so as to increase the percentage of local product and service procurement.

The programme, implemented for the first time in a formal manner in Indonesia, was developed in consideration of local regulations as well as future procurement requirements for projects in the area.

103 vendors were involved, 76 of whom were new entries and 27 previously qualified but under consideration for further supplies of products and services. The potential contribution of Local Content was identified with 148 questionnaires (one per product/service), as required by Indonesian law.

Specifically, 34 vendors were identified, selected and inspected in Jakarta, Batam and Surabaya, in consideration of the strategic value of their products and services, business priority and complexity of the qualification process. The outcome of the inspections, run by a VEMI specialist and representatives of the

Engineering, Procurement, Post-Order, HSE and Sustainability departments of PT SI, led to an evaluation of the vendor's capacity to satisfy Saipem's requirements. Each vendor was thus scored as 'Opportunity', 'To be Monitored' or 'Risky'.

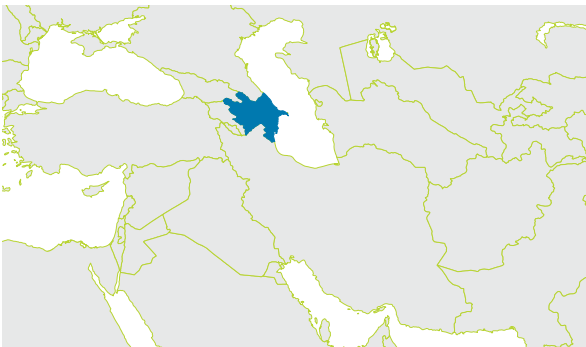
The information gathered with the questionnaires and on site audits was processed to draw up a matrix of products and services with a major, moderate and minor contribution of Local Content.

Furthermore, a benchmarking process was developed for the vendors based on ten requisites evaluated during the inspections. It enabled each vendor to be analysed in relation to the average level of each requisite for all vendors taken into consideration. The score was then used to propose areas for improvement and action in relation to the vendors' capacity, with the objective of ensuring sustainable development both of business and of the local economy as a whole.

This work in Indonesia aims to maximise the reliability of local vendors, and while it may incur a cost in the short term, it should yield fruit over a longer time period.

FOCUS ON AZERBAIJAN

Training for subcontractor personnel



44%

OF GOODS AND SERVICES ORDERED FROM LOCAL VENDORS WERE UNDER FRAME AGREEMENTS

206

LOCAL VENDORS ARE QUALIFIED

In 2008, in the framework of the SOCAR/Saipem Alliance, Saipem Asia Azerbaijan Branch undertook a programme to train Azerbaijani marine personnel from SOCAR units (subcontracted to Saipem) according to international standards.

The programme aims to promote the transfer of know-how to local marine personnel so that they can develop towards positions of increasing responsibility and, ultimately, replace expatriates.

Training courses are conducted partly in Azerbaijan and partly abroad, with some of the work done in class and some in the field where participants can gain practical experience. Course components include technical training and English.

Specialised training for CODERO (Caspian Office for Diving & Emergency Rescue Operations) personnel included Dive Technicians, STCW (Standards of Training, Certification and Watchkeeping for Seafarers), BOSIET (Basic Offshore

Safety Induction & Emergency Training) and English courses for a total of 882 hours in 2012.

CSOF (Caspian Sea Oil Fleet) personnel attended a total of 3,394 hours of training including technical courses (Dynamic Positioning, crane operators, electricians, etc.), Health and Safety (basic safety, fire fighting, first aid, Further Offshore Emergency Training (FOET), Offshore Emergency Helideck Team Member (OEHTM), etc.) and English.

Additional training was provided to subcontractor personnel of NQT (Oil and Gas Construction Trust), Dalgidj and CMS (Caspian Marine Services).

Overall 4,525 hours of training were provided in 2012 to a total of 114 subcontractor personnel, and since 2008 Saipem Asia Azerbaijan Branch has organised a total of 47,017 hours of training for the marine personnel of its subcontractors.

Consolidating and expanding Saipem's roots in China



The new Shanghai Sourcing Centre: a bridge between Saipem and Chinese Vendors

In November 2007, Saipem launched a scouting and qualification campaign on the Chinese market with a view to improving the global sourcing process and broadening the current vendor database.

After the establishment of Saipem Beijing Service Co Ltd, the Chinese Sourcing Centre worked regularly as a facilitator to support all Saipem functions willing to access this market and work with Chinese vendors.

In order to strengthen Saipem's presence in China and reinforce the support and monitoring of Chinese vendors during all phases of the sourcing process, the Chinese Sourcing Centre has been relocated to the Saipem Branch in Shanghai.

The new Shanghai office was presented during the 'Chinese Suppliers' Day' held at the Italian Embassy in Beijing on May 8, 2012. The advantages of the new location, such as its proximity to strategic suppliers, clients and other competitive markets such as Korea and Vietnam, were underlined. The one-day event saw the participation of Saipem's main Chinese vendors, the Director of the 'Rong Zhi' Institute for Corporate Social Responsibility of Beijing, Wang Xiaoguang, the Deputy CEO of the Saipem Group, Hugh O'Donnell, and the Saipem China Country Manager, Fabio Rosso. The event was organised under the patronage of the Italian Embassy of the People's Republic of China, and the Italian Ambassador, Attilio Massimo Iannucci, was also present.

Half of the day was dedicated to an interactive and open Q&A session involving the Project Directors of Liwan (an offshore project in the South China Sea) and Shah Gas Development (an onshore project in the United Arab Emirates), as well as some Chinese vendors who presented their companies and their experiences with Saipem in the form of lessons learned, highlighting the skills gained as well as those to be improved on in the

243

CHINESE VENDORS ARE QUALIFIED

69%

OF TOTAL ORDERS IN CHINA WERE FOR STRATEGIC AND CRITICAL GOODS

framework of the Client-Vendor relationship.

To reinforce Saipem's commitment further, the Director of the 'Rong Zhi' Institute informed Chinese vendors about the concept of social responsibility. He introduced the ISO 26000 guideline and the SA8000 standard and recounted success stories to underscore the opportunities and advantages of adopting a socially responsible approach.

Saipem China Academy programme

The Saipem Chinese Sourcing Centre, in conjunction with the Saipem Corporate Human Resources Department and Eni Corporate University, have instituted the 'Saipem China Academy programme' targeted at young Chinese graduates who have participated in the 'Double Bachelor Degree programme' between the Politecnico di Milano and the Tongji University of Shanghai.

The programme aims to create a group of sourcing engineers informed about the technologies and entrepreneurial cultures of both Italy and China, in order to strengthen existing links between the two countries and meet the demands of a global market.

The Saipem China Academy programme was presented during the 'A Career in China' event held at the Politecnico di Milano on January 19, 2012, following which a group of Chinese students interested in the programme were interviewed, five of whom were selected.

After a training period in Saipem Corporate (Italy), young graduates will be hired in the Sourcing Centre in China and will undergo a 2-year on-the-job training period to obtain a full understanding of Saipem's procurement requirements. They will also have the opportunity to take part in audits with the Corporate Vendor Qualification Team on the premises of Chinese vendors.

This initiative is an important opportunity for young graduates to learn about Saipem's culture and skills and to gain experience of an international working environment.

FOCUS ON VENEZUELA

The Health, Safety and Environment Alliance



39%

OF TOTAL ORDERS WERE LOCAL

63%

OF TOTAL STRATEGIC AND CRITICAL GOODS ORDERED FOR PROJECTS CARRIED OUT IN THE COUNTRY WERE LOCAL

Petrex is keenly aware that vendors are important and strategic partners, vital for ensuring quality, efficiency and effectiveness in its operations. Vendors therefore need to comply with Petrex' standards and procedures and adapt their operating methods to them in order to nurture mutual trust and understanding.

Under this premise, 'Health, Safety and Environment Alliance with Vendors' events were held in El Tigre (Venezuela), during which Petrex shared its vision, commitment and key topics with 35 vendors. Themes covered included:

- the Quality Management System and ISO 9001 standard;
- the HSE Management System, ISO 14001 and OHSAS 18001 standards;
- the Sustainability Talent programme;
- the Petrex Vendor Management System.

Through this close collaboration with vendors, a joint approach to the criteria and efforts required to boost business relations was established, thereby strengthening the culture of prevention both within Petrex and among its vendors.

FOCUS ON NIGERIA

Development of local vendors



87%

OF GOODS AND SERVICES ORDERED BY SCNL WERE LOCAL

In 2012, SCNL increased services provided and goods manufactured in Nigeria by utilising indigenous companies and involving them in project activities. Over 180 local vendors were registered in 2012, made possible through vendor workshops and the placement of adverts. Furthermore, 93% of orders issued by SCNL were local, involving a total of 490 local vendors, for a sum of €214,764,649, which in turn was 87% of the total monetary value for orders. Sustainable value was therefore added to the Nigerian economy.

Living together with local communities

Saipem develops local community relations through a sensitive and far-reaching approach. This involves proposing engagement strategies which are compatible with the local context and the type of business pursued, but which at the same time aim to create opportunities that are beneficial both for the Company and for the local communities in which it operates.

Saipem conducts its activities in a spirit of dialogue with and respect for the host communities. The strategy developed by the Company to manage local community relations with a view to delivering mutually beneficial results is based upon a context-specific and business-driven approach that is custom made to the local context. This strategy has proved fruitful not only in the

context of a consolidated, long-term presence (i.e. yards) but also in the more flexible conditions required for the completion of a short-term project or activity. Either way, Saipem can adapt its operations to the context and to the client's needs, while its local partners can benefit from improved socio-economic and business opportunities. The internal management system that Saipem is currently

Independent Expert's Report



Review by Petter Matthews

The Oil&Gas industry impacts both positively and negatively on the communities living in close proximity to its operations. Communities are not homogeneous and the companies involved must manage a complex set of relationships and competing interests. Not surprisingly, managing these interactions effectively can be time consuming and difficult. This section includes an explanation of the procedures used in managing community interaction and a series of five country case studies. This is a useful structure, particularly where the case studies help to

illustrate how the procedures are applied.

Saipem has developed guidelines for implementing community initiatives, but it isn't apparent if they are in the public domain. Making them available would help to ensure transparency and accountability in its community relations. The case studies reveal some interesting examples of community interaction. Saipem's response to the Mpila munitions depot explosion in Brazzaville, for example, demonstrates how the Company can use its presence to effectively support humanitarian response efforts. It is hoped that the lessons

from this episode can be used to ensure preparedness for similar responses in other countries.

This section tends to focus on inputs and activities and not enough on the difference that its community initiatives have made. In part this is because community impacts cut across a number of sections in the report and data on economic and environmental impact, for example, appears elsewhere. However, despite this challenge, future reporting on community interactions would be strengthened if it included more quantitative data that was designed to demonstrate impact.

setting up aims to manage the sustainability process and all related issues.

Stakeholder involvement

Specifically, identification of local stakeholders and understanding their needs and expectations is an essential and necessary step to define an effective stakeholder engagement strategy in each place where Saipem operates. Stakeholder engagement plans are mainly defined for those areas where Saipem has a direct and long-term presence; for projects, on the other hand, activities are conducted in support of client needs.

Saipem Operating Companies can have different ways to engage with local stakeholders according to the characteristics of the project and the country in which the operations are carried out. Most Saipem Companies operating from a long-term perspective in a country have identified a framework system that ensures open and transparent relations, with local stakeholders. This includes the appointment of a contact person responsible for maintaining relations and the definition of suitable approaches (e.g. periodical meetings, public hearings, engagement events, etc.) to engage with all relevant stakeholders.

Context-specific approach

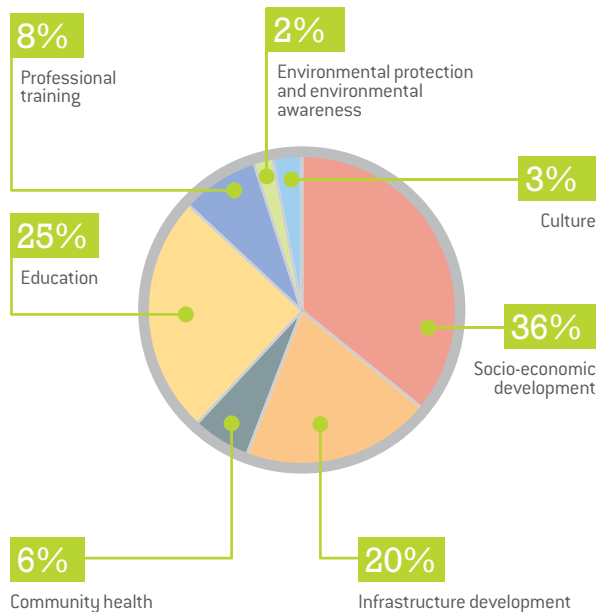
Grievance procedures are in place in various areas and Operating Companies. However, the differing contexts means that no one single approach is possible. For example, in Guarujá (Brazil) a toll free number to address grievances is available and has been published in the main local newspapers. In Nigeria, on the other hand, grievance procedures are defined in the Memorandum of Understanding signed with each local community involved in operations. Understanding the local stakeholders and analysing the local context in terms of deficiencies and improvement opportunities of the socio-economic situation is essential for defining methods and opportunities of intervention that will contribute to an improvement in the living standards of local communities.

A network of Local Sustainability Officers based in the most significant locations enables Saipem to obtain a sensitive and accurate on-the-ground perspective of local issues, opportunities and possibilities and to define context-specific solutions to optimise the way the Company does business in and around local communities. In 2012, Saipem boosted the Local Sustainability Officer network by adding new locations to reach a total of about 20 units, developing a set of specific project-management tools, and implementing dedicated training events.

Community initiatives management

In addition, the Saipem Group has drafted a procedure that provides guidelines and recommendations for all its Operating Companies to implement community initiatives in line with Group Sustainability Policy. The document defines principles for effective community initiatives (long-term perspectives, integration into local conditions, community involvement, etc.) and relevant areas

PERCENTAGES OF TOTAL SPENT FOR SUSTAINABLE COMMUNITY INITIATIVES BY AREA



(education, community health promotion, socio-economic development, cultural development and environmental awareness). Furthermore, community initiatives are managed with a participatory approach and agreed upon with local communities, often in coordination with local institutions and associations so as to create possible synergies with existing programmes, empower local actors and, finally, explore possibilities for replication elsewhere.

In line with this strategy, in 2012 a number of local initiatives involved thousands of people in several countries around the world, building upon experience from previous years.

Mourad Guidoum, 'Tuareg Visit', Algeria



PT Saipem Indonesia



Stakeholders Perception Survey (SPS) in Karimun Island

A Stakeholders Perception Survey (SPS) was carried out in Karimun Island (Indonesia) as part of a study to quantify the social value created by Saipem with the construction of the fabrication yard (see page 7).

The purpose of the SPS was two-fold:

- to improve Saipem's understanding of local stakeholder perceptions and expectations;
- to validate the outcomes (long-term impacts identified in the SELCE-SROI study) and understand the value of the changes in society that stakeholders have experienced due to the construction of the yard.

The SPS was conducted on a sample of 142 respondents from different groups of local stakeholders, such as Saipem employees, vendors and subcontractors, local and national authorities, governmental bodies, local organisations, local institutions, media, fishermen, and citizens from neighbouring communities.

The methodology used to design the SPS was based on five sequential steps: set objectives, map stakeholders, design the survey, execute the survey, analyse the survey response.

The outcomes of the social value created were grouped into 22 dimensions which in turn were broken down into domains of social progress, namely: enterprise development, infrastructure development, governance, community development, quality of life and the condition of ecosystems.

The survey questionnaire was designed to cover the domains of social progress as well as the main value drivers from the local stakeholders' perspective: reputation/brand recognition, value to the region, value to businesses, value to individuals, value to the community and interaction with the community.

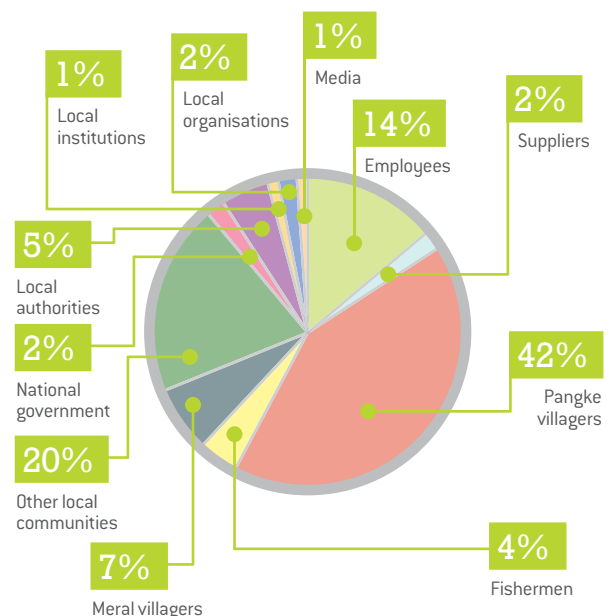
Via 40 statements and a five-range scale, the stakeholders were asked to express how they appreciate Saipem's contribution in the various dimensions identified and how important they consider each dimension.

The SPS results indicated that Saipem's contribution to social value creation is appreciated by stakeholders, albeit with some areas requiring further improvement.

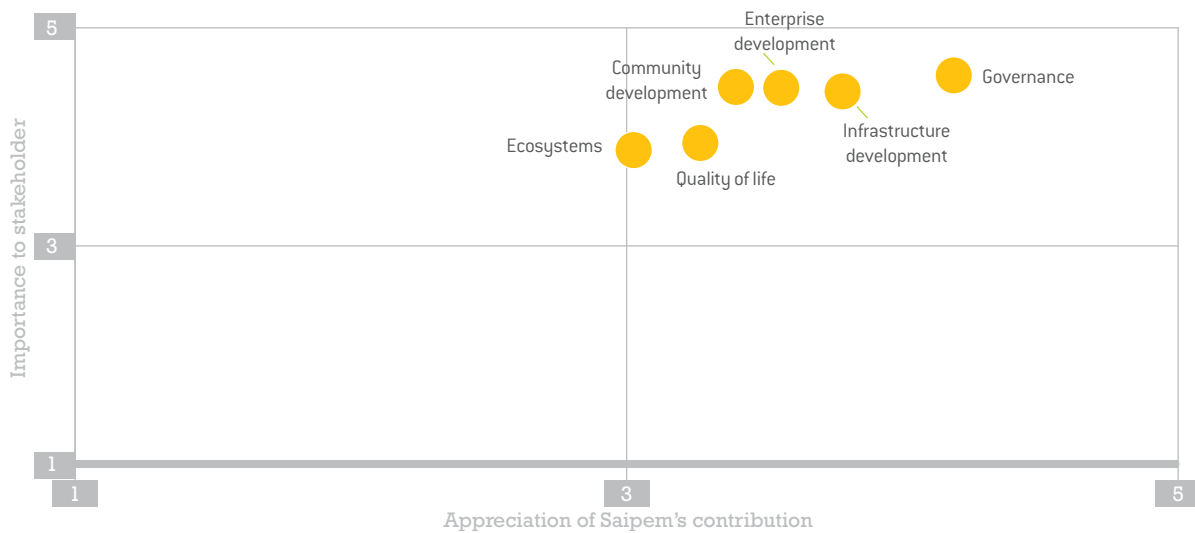
Results of the SPS showed that all domains of social progress appear in the 'Strengths' quadrant (high appreciation, high importance). Main key findings were:

- stakeholders unanimously recognised Saipem's contribution to improved working conditions and core HSE values, hence the highest rating for governance;
- enterprise development and quality of life, where the social value created is highest, ranked only 3rd and 5th, meaning that the respondents only partially recognised Saipem's contribution to the creation of business opportunities and to the improvement of the quality of life in the community (i.e. education, the health system, etc.). In addition, stakeholders identified possible risks related with immigrant workers and the increase in competition among local enterprises;

DISTRIBUTION OF SPS RESPONDENTS BY FUNCTIONAL GROUP



LOCAL STAKEHOLDER PERCEPTIONS BY DOMAIN OF SOCIETAL PROGRESS



- the condition of ecosystems was the lowest rated domain, with only average scoring in terms of appreciation and importance. This was due to the perception of increased risks from road traffic and associated noise and pollution;
- some stakeholders, especially local organisations, the media and some villagers, were more critical. They did not recognise Saipem’s significant contribution to community development and to the improved quality of life, and focused instead on the potential impact of migrant workers on their personal security and lifestyle, and also on risks associated with increased road traffic.

Execution of this SPS had helped Saipem to:

- understand and compare the social value actually created with the social value as perceived by stakeholders;
- understand stakeholder perceptions as well as key critical aspects in order to define clear objectives to facilitate leveraging of areas highly appreciated by stakeholders and close gaps in perceptions so as to meet local expectations more effectively.

Health and hygiene event in Jakarta

On October 20, 2012, PT Saipem Indonesia (PTSI) held a sustainability initiative called ‘Food Hygiene Awareness’ (Peningkatan Kesadaran Kesehatan Pangan programme). The event, which was attended by small shop owners and stallholders operating near the Setiabudi building complex at Kuningan, South Jakarta, where the Saipem Indonesia office is located, was the outcome of cooperation between Sustainability Facilitators and the Health Department. With this activity PTSI attempted to raise awareness of food handling and hygiene. The cleanliness and health of the food handler is very important because it can affect

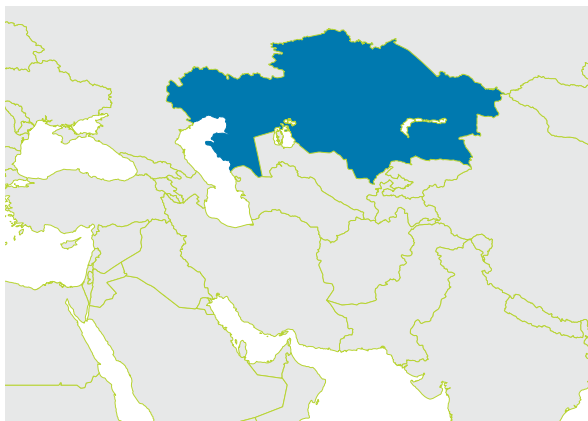
the quality of the food itself. Diseases are transmitted more easily through unhealthy food handling, even when the food is in good condition. Consumers or sellers are often unaware of the danger of contamination and exposure to bacteria from improper handling. The event was initiated by the Master of Ceremonies and safety induction was followed by a safety moment. Mr. Seniawan Nyoman, PT Saipem Indonesia QHSE Manager, gave a welcome to the participants and encouraged them to take measures to improve food hygiene. The first session was held by Dr. W. Johnrits from the Saipem Health Department. It began with a video made at the workplaces of the small shop owners and stallholders. It proceeded with a discussion of how to process, store and present meals in a more healthy way and how disease can be caused and spread by unhealthy food. The participants were particularly keen to learn about the effects of food not being processed in a proper manner.

In the second session it was explained to participants how their profits could increase if they started to pay more attention to attracting consumers by changing their food processing methods. The sustainability facilitator also addressed some issues that might be of interest to consumers.

The last part of the session was given over to questions and answers under the guidance of the facilitator. Some suggestions were made and assistance was requested from the PTSI representative on how to solve a drain blockage problem.

The event was livened up by games and door prizes brought by the Master of Ceremonies. The shop owners and stallholders acknowledged that their participation had been useful for their daily activities.

Ersai Caspian Contractor Llc



Supporting local education in Kuryk

Ersai Caspian Contractor Llc is a leading company in Kazakhstan operating in the Oil&Gas services industry for the Caspian Area. A joint venture between ERC Holdings and Saipem International, Ersai runs an important fabrication yard in Kuryk (Mangystau Region). With a view to promoting human, social and economic development, the company supports local communities through a number of activities, especially in the area of education.

Participatory evaluation of the education situation in Kuryk

Together with the non-governmental organisation Eurasia Foundation of Central Asia (EFCA), Ersai carried out a participatory situational analysis of educational challenges and opportunities in Kuryk village. This aimed to identify the characteristics and conditions of youth in Kuryk and to investigate the factors which impact their access to and participation in educational, recreational, and vocational activities. Data collection included information about youth development opportunities currently available, the degree of family and community involvement in supporting them, and the extent to which such activities prepare young people for employment, citizenship, and responsible adulthood. EFCA experts worked closely with community members and youth throughout the analysis to identify potential opportunities for future partnership and collaboration. On completion of data collection, analysis of the strengths and areas for development was summarised in a final research report comprising recommendations for action that will serve as the basis for future Ersai projects targeted at supporting and improving youth services in the area.

Scholarship programme

For the fourth successive year Ersai successfully implemented its Scholarship programme for

school-leavers from low-income families in Kuryk village. Four new students were selected in 2012. Three of these now study at Karaganda State Technical University and one at the Medical Institute.

On March 28, 2012, the Ersai Sustainability Department organised a meeting with all Kuryk school-leavers and their parents to inform them about the Ersai Scholarship programme. During the meeting, students became acquainted with the selection process, and with requirements and specialisations required by the Company, i.e. welding engineers, electricians, mechanical engineers, construction engineers, doctors, safety engineers, ecologists and certification engineers. The Scholarship programme covers study fees for 5 years and a monthly stipend of 25,000 tenge per student.

At the moment, the Ersai Scholarship programme sponsors a total of 13 students. During an interview, one student said: 'I was enrolled in 2011 and I am now studying in Karaganda at the Mechanical Engineering faculty. My monthly student fee is enough to see me through. Ersai checks my progress on a regular basis'.

Contributing to school equipment

The Kuryk Department of Education set up a commission consisting of school heads, teachers and Ersai representatives with the purpose of choosing a school to provide with kitchen equipment. On March 28, 2012, the commission inspected two schools, and school No. 6 was selected. The equipment arrived at the beginning of May and was donated in conjunction with the ER SAI subcontractor MKC Multicatering Kazakhstan Co Llp. Another school in Kuryk also benefited from the programme, receiving sports and recreational materials.

Education programme receives official award

On October 26, 2012, the honouring ceremony for Patrons in Education was held in the Astana Concert Hall under the auspices of the Kazakhstan Ministry of Education and Science. In recognition of the contribution made by Ersai Caspian Contractor Llc to the development of education in Mangystau Province, the Ministry awarded the company the prestigious nomination 'Patron in Education of 2012' in the category 'The Young Generation is the Future of the Country'. On behalf of the Ministry of Education and Science, the Minister Zhumagulov Bakhytzhon presented a diploma and medal to Ersai Deputy General Director, Mr. Yan Chan. The names of all 34 Patrons in Education from all over Kazakhstan were entered into the 'Golden Book of Patrons'.

Saipem SpA Kazakhstan Branch

Training for local paediatric surgeons in Atyrau

In accordance with the Saipem Kazakhstan Branch Sustainability Initiatives Plan 2012, between September 6 and 11, 2012 the first part of the 'Emergency Newborn Surgery' training programme for 20 paediatric surgeons in Atyrau Region was held in cooperation with the Atyrau Region Medical Department.

The training cycle was conducted by the National Scientific Center of Motherhood and Childhood, Astana. As per the Agreement signed, training had to cover not just theoretical aspects, but also practical ones. Hence, the second part, 'Workplace practices', took place between October 1 and 5, 2012, again at the National Scientific Center of Motherhood and Childhood in Astana, this time for 7 doctors.

Today in Kazakhstan, the second highest rate of illness among infants is congenital abnormality. Atyrau is one of three districts with the highest morbidity rate in Kazakhstan. In most cases, infant mortality is in fact linked with congenital malformations that are incompatible with life or with post-operative complications.

'I believe that, with the support of the Saipem SpA Kazakhstan Branch course 'Emergency Newborn Surgery', doctors working in district hospitals in the Atyrau region can implement the activities covered under the framework of the state programme 'Salamatty - Healthy Kazakhstan'. This was designed to develop the health system in the period 2011-2015 and was approved by the Government of Kazakhstan on January 29, 2011. Another point worthy of special note is that this is the first time a project of this

sort has been implemented in Kazakhstan. I express my deepest gratitude' (Erekeshiev Asylzhan Abubakorovich, Chief Specialist of Neonatal Surgery, Ministry of Health of Kazakhstan, CMS).

'A master class in 'Current Problems in Surgery, Intensive Care and Neonatal Intensive Care' organised with the cooperation of Saipem SpA Kazakhstan Branch is the beginning of better medical diagnoses for newborns through targeted training of specialists in the field. I hope this will increase the availability and efficiency of treatment of malformations in newborns and lead to better outcomes in the Atyrau region' (Abentaeva Botagoz Aubakirovna, Head of Neonatal Resuscitation, Ministry of Health of Kazakhstan, CMS).

The Deputy Head of the Atyrau Medical Department, Mrs. Kamelova Dina Bazarbayeva, expressed her appreciation to Saipem Management and handed over a Letter of Gratitude to Mr. Rossano Tomaselli, Saipem Branch Manager, in recognition of the Company's active participation in the life of the Atyrau Region.

While dozens of surgeons participated in these initiatives, the real beneficiaries will be future generations. The training programme is concrete proof of Saipem's role as a sensitive partner dedicated to the development of the local communities where it is present. It also reveals the Company's commitment to implementing its policy of mutual support and trust in a way that will lay the foundations for its longstanding presence not only in Kazakhstan but in many other parts of the world as well.

Nurbul Jalgassov, 'Saipem in Kazakhstan', Kazakhstan



Puerto Nuevo Project



Aware of the importance of a proper education for school-aged children and youths who represent the future of the country, the Puerto Nuevo Project's corporate responsibility strategy focused on collaboration with local schools, where a series of initiatives and seminars were held in areas falling under the direct influence of the Project. These focused in particular on health promotion and environmental protection.

Health Promotion in Ciénaga ('Festival de la Vida')

Festival de la Vida was the name chosen for a day of awareness and celebration of life. The Festival was organised in and around Ciénaga, Colombia, in different locations and on different days.

Near Ciénaga, Saipem has completed important port infrastructures (Puerto Nuevo Project). The Company's participation in the Festival de la Vida evidenced once more its strong ties with the community and its concern for the most vulnerable layers of its population. These benefited from general medical services, immediate delivery of medicines, vaccinations, cytological exams, dental care, combating of parasites and delivery of vitamins.

One event, involving 183 people, took place on June 22, 2012 at the Carlo Garcia Mayorca Rural Education Centre in the Vereda de Jolonura area of Ciénaga. Another, involving 500 local residents, was held in Abajo and Mar del Plata on July 27 at the Guillermo Moran Education Centre.

Participants at both events could receive check-ups from physicians, dentists and gynaecologists. Short plays were performed on the theme of reproductive health and there were activities for children and youths. Documents and information on health and environmental education were also distributed.

The Festival de la Vida was organised in cooperation with local health and social institutions, as well as local partners and the Puerto Nuevo Project client, Prodeco.

Apart from Festival de la Vida, several other health promotion activities were held in the Ciénaga area. One of these was a series of lectures on the prevention of Sexually Transmitted Diseases which commenced on February 27 in La Maria school and involved 105 students from different years.

Cultural Promotion

Saipem supported a cultural project for a group of 100 children and youths from the Carlos Garcia Mayorca School so that they could participate in a parade at the Caiman festivities in Ciénaga on January 19, 2012. This is the most popular event in the local community and it gave many young people an interesting opportunity to use their free time (it was held during a three-day school holiday) to engage with their cultural roots and identity.

Promotion of self-entrepreneurship

In the summer of 2012, a baking and pastry course was held for local women, mainly the wives of fishermen, to enable them to set up their own businesses and contribute to the family's earnings. With the arrival of the holiday season, the course attendees started to put what they had learned into practice and offered their various products for sale. Furthermore, students of the Carlos Garcia Mayorca School, along with a group of teachers and parents, visited the Puerto Nuevo Marine Facilities as part of a project to develop entrepreneurship.

Environmental awareness: World Environmental Day celebration in Ciénaga

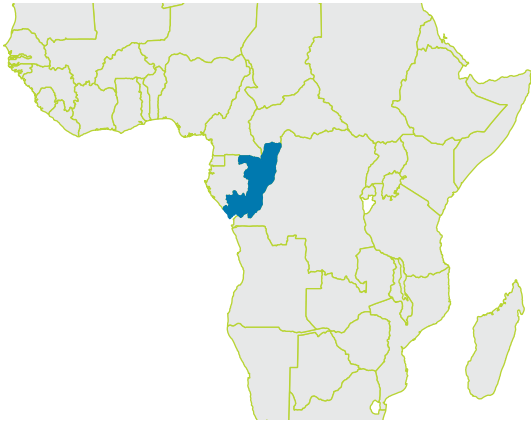
Several contractors from Puerto Nuevo gathered to celebrate World Environment Day (WED) 2012 at the Guillermo F. Moran School. Saipem participated in the event by contributing to the improvement of the school building. Wall drawings, decorations and painted ornamental flower pots were produced to convey messages about environmental awareness throughout the school. To mark WED, a beach-cleaning team was organised involving the whole community. Other community relations in the area of environmental awareness included a contest, organised in conjunction with the client, for the design of diaries made of paper recycled from the local Project office.

School Football Project

Saipem supported the creation of a soccer school for 50 children and teenagers between 8 and 15 years of age. Not only did participants learn footballing techniques, they also learned values such as perseverance, generosity and respect. Team achievements include participation in the local Copa Carnaval championship.

FOCUS ON THE CONGO

Supporting local communities

**'Turning waste into sustainable income'**

Saipem's operations in the Republic of the Congo date back to 1975 and are conducted mainly through the subsidiary Boscongo. In the city of Pointe-Noire, where it operates an important construction base, Boscongo has been working since January 2012 on a local community project called 'Du déchet au revenu durable' (Turning waste into sustainable income), the aim of which is to create the Congo's first municipal recycling centre. 'Du déchet au revenu durable' is a small-scale and yet ambitious project which involves recycling solid non-hazardous waste to produce useful objects, such as bags, toys, paper, business cards and furniture, which can then be sold locally.

The project was commenced following an in-depth analysis phase which showed that Pointe-Noire and the nearby village of Loango contained a large number of landfills and yet lacked waste recycling facilities. The analysis also highlighted how economic activity that generated sustainable income from the transformation of specific types of waste, such as paper and wood, could be a means of achieving socio-environmental development. The project is now underway and in 2012 the following activities were completed:

- drafting and signing of a Memorandum of Understanding between Boscongo, the local community and the local authorities;
- selection of the location where the facility will be built;
- official involvement of the local community;
- completion of the conceptual design;
- finalisation of the work procedures.

Although the scale of the project is small, its goal is to raise awareness among the local community with regard to the sustainable income that can be generated from waste, while at the same time contributing to environmental protection. The project also demonstrates Boscongo's ongoing commitment to sustainable development in line with its policy in this regard.

Disaster Relief in Brazzaville

Following the tragic explosion at the Mpila military munitions depot on March 4, 2012 in Brazzaville (the Republic of the Congo), which killed 180 people, injured nearly 1,500 and left many others homeless (official data), Saipem companies in the Congo, with the support of Saipem sa, initiated medical relief for the disaster victims. This decision was taken by Michel Lassus, Boscongo General Manager, having first informed the General Manager of Saipem sa, at the time Michel Lainé. Sabatino De Sanctis, Corporate QHSE and Sustainability Senior Vice President, was also consulted.

An initial mission was carried out in Brazzaville by Jean-Pierre Arnoux, Boscongo HSE and Sustainability Manager, and Boscongo doctor Gilbert Maléké. Dr. Saada of Saipem sa then evaluated the needs of the victims and assessed the logistics of support.

The initiative consisted of providing a Medical Care Unit and essential drugs for people collected in the Felix Eboué stadium in Brazzaville, a camp set up for Mpila disaster victims and hosting about 400 families.

The relief programme was run by the Ministry of Health & Population and the Ministry of Social Affairs, Solidarity & Humanitarian Action, who instituted a National Relief Coordination Task Force. Saipem made contact with the latter which issued the authorisation to supply medicines. A Medical Care Unit was set up in the stadium on March 20, 2012 to examine people injured in the disaster and to provide post-disaster assistance. With the contribution of Saipem, 639 examinations were carried out and 580 diseases treated. Of these, 9% were diarrhoea, 14% influenza, 8% wounds, 36% malaria, 7% trauma, 3% low back pain, 3% rheumatism and 2% cough. The remaining 19% were categorised as 'other'. About 3,000 items of essential medicine, medical supplies and consumables, procured through Saipem sa, were delivered to the Health Authority in the first week of August 2012 to cover the primary care needs of the victims in the camp.

Continuous and regular coordination between the Boscongo QHSE Department, the Saipem sa QHSE Department and Corporate, on the one hand, and Marco Stampa, Corporate Sustainability Manager, on the other, was an effective approach that ensured the success of the project. The experience showed that medical assistance coupled with the provision of medicines is vital in this type of situation and support in this area is very much appreciated and welcome.

Difficulties were encountered in the supply of medicines which arrived from countries a long way from the Congo and which were received only 7 months after the tragic event.

Petrex SA



Introduction to drilling for local communities

Petrex SA, a subsidiary of Saipem, has been carrying out drilling operations in Venezuela since 2001. Given the increasing oil activity in the country, and in order to achieve an effective redistribution of wealth, the client, Petroleos de Venezuela SA (PDVSA), created the Employment Democratization System (SISDEM) by which the inhabitants of the communities surrounding the oil fields have the right to access temporary jobs on the rigs. For Petrex, it is vital to ensure the safety of all people involved in operations and, with the SISDEM initiative in mind, a team of professionals from various units devised the 'Introduction to Drilling' workshops, training sessions for the residents of the farming communities to ensure that they can work safely and efficiently on the rigs whenever they are temporarily employed. 'Introduction to Drilling' is an interactive and dynamic course based on presentations and group work. It teaches attendees what work is like on Petrex rigs and what preventive measures need to be taken in order to stay safe and healthy and to avoid environmental impacts. A workshop lasts 8 hours. It covers basic drilling topics and shows the components of the rig and the correct use of tools. Along with these technical issues, preventive health, industrial safety, quality and environmental care are also covered. Additionally, participants are instructed on labour issues and learn about the Company's sustainability programme. During 2012, 155 people from local communities benefited from the course.

HEALTH PROMOTION

Prevention of cardiovascular diseases

Cardiovascular diseases are the main cause of personnel repatriation in Saipem. For this reason, Petrex organised a health promotion path consisting of a wide range of activities including periodical check-ups, participation in workshops and training sessions on nutrition and cardiovascular health, and, finally, screening. The activities took place between October 2011 and

November 2012 at the bases of El Tigre (State of Anzoátegui), Ciudad Ojeda (State of Zulia) and Maturín (State of Monagas). They were organised by the Occupational Health and Sustainability units with the support of El Rosario Hospital (Ciudad Ojeda) and the cardiologist Dr. Antonio Valentini (El Tigre and Maturín). In El Tigre the health promotion path was implemented between March and November 2012 and involved 127 employees. In Ciudad Ojeda it took place between April and September 2012 and attracted the attention of 143 employees. In addition, a special workshop on cardiovascular health and nutrition was held for 40 staff members at the El Rosario Hospital on July 4, 2012. The main aim of the activities was to make participants aware of the importance of preventing cardiovascular disease so that they can live healthy lives and reduce the risk of falling ill. The importance of the need for early diagnosis and adequate treatment for anyone already suffering from cardiovascular disease was also stressed. The workshops were supplemented with aerobic activities such as outdoor walks. One of the main conclusions of these conferences was the need to promote out-of-work exercise, such as sports events at which staff can prevent cardiovascular illness in a recreational way.

'Our health is in our hands' education campaign

The main objective of the educational campaign 'Our health is in our hands' was to provide workers and residents of communities located in the vicinity of Petrex operations with the tools needed for preventive health practices. 1,614 Petrex workers from the Ciudad Ojeda base and the PTX-5802, PTX-5955 and PTX-5920 rigs took advantage of the workshops held between January 7 and April 30, 2012. As regards the local population, work was carried out with representatives of the Victoria Community who received training at the Maturín base on April 25 and 26. These campaigns covered a number of issues such as prevention of common diseases and application of first aid.

Workshop on Nutrition and Food Handling

The Workshop on Nutrition and Food Handling was organised on the El Tigre base for 26 Petrex families. Its focus was on the basic principles of preparing balanced meals in order to prevent illness. In addition, Immunisation Campaigns were organised in conjunction with the local health authorities to provide Petrex personnel and members of neighbouring communities with vaccines against the most common diseases in the area. This initiative allowed local medical centres to make contact with their communities and present other topics such as dental health, hygiene practices, nutrition and the need for medical check-ups.



Global company, global integrity

Saipem is an internationally oriented company which, on account of its size and the importance of its activities, plays a significant role in the marketplace and in the economic development and welfare of its employees and of the communities in which it operates.

In conducting its business, Saipem is inspired by, and complies with, the principles of loyalty, fairness, transparency, efficiency and openness to the market, regardless of the level of importance of the transaction in question. Compliance with laws, regulations, statutory provisions, self-regulatory codes, ethical integrity and fairness, is a constant commitment and duty for all Saipem personnel, and characterises the conduct of Saipem's entire organisation. Anyone who works for Saipem, without distinction, is committed, within his or her own remit, to observing and enforcing the aforementioned

principles in addition to values and principles in matters of transparency, energy efficiency and sustainable development, as laid down by international institutions and conventions. Saipem's business and Corporate activities must be carried out in a transparent, honest and fair way, in good faith, and in full compliance with competition protection rules. Specifically, Saipem applies OECD (Organisation for Economic Co-operation and Development) guidelines for multinational companies and adopts suitable procedures in order to ensure legal compliance.

Independent Expert's Report



Review by Stéphane Prévost

Within the Oil & Gas industry, corruption and bribery issues are increasingly addressed by major oil companies and services/equipment operators, as investor and stakeholder concerns have grown in reaction to questionable business practices and controversies.

Saipem's 2012 Report describes the Company's general commitment to business integrity throughout its operations, focusing on procedures to prevent bribery and corruption and training programs implemented for at-risk personnel at group level. Saipem has also adopted a

code of ethics and is committed to reporting eventual cases of legal noncompliance. In addition, a dedicated area of the company website presents the new Management System Guidelines to 'Anti-corruption' and operational procedures approved by the Board on April 23, 2012.

Saipem recently received an inquiry from the Italian Prosecutor of Milan for alleged corruption. Though the Board announced major organisational changes in December 2012 and further declared that an internal audit would be conducted in response, information in the 2012 Sustainability Report remains limited. And while it is too early to draw any conclusions as long as the legal proceedings and internal audit are being

conducted, I nevertheless expect Saipem in the near future to fully communicate on a few points in order to validate the vigor of their procedures and policies:

- Follow-up of the Inquiry and internal audit conclusions, decisions and changes implemented to make procedures more efficient at all levels of the Company;
- Possible legal action undertaken by the Company to preserve shareholder interest in the event of confirmed allegations of responsibilities of former managers;
- Attention given on materially adverse effects to the company's reputation and businesses; more particularly impacts on the business backlog, contract development and profitability of activities.

Saipem's approach to conducting its activities worldwide

Organisation, Management and Control Model

In 2004, Saipem SpA adopted an Organisation, Management and Control Model (Model 231) pursuant to Legislative Decree No. 231 of 2001. The latter established that legal entities, including limited companies, may be held liable, and consequently subject to fines and/or interdiction, for any offences committed, or any attempts to commit offences, in Italy or abroad, in the interest or to the advantage of the company.

In 2010, the Board of Directors of Saipem SpA approved the most recent update to Model 231. Standards for the control of environmental offences introduced by Law No. 121 of 2011 as an alleged crime for which a legal entity can be held liable are currently in the process of implementation. In compliance with the provisions of the new Corporate Governance Code of listed companies, at its meeting of February 13, 2012 the Board of Directors set up the Audit and Risk Committee. This has been entrusted with the duty of consulting and supporting the Board of Directors in matters relating to the internal control and risk management systems. The Committee is currently comprised of three non-executive independent directors all of whom have adequate knowledge and experience in matters of accounts and finance, as assessed by the Board at the time of their appointment.

Alongside the Code of Ethics, Model 231 also includes:

- the Company's risk analysis methodology and control tool: all Corporate activities which may entail the risk of committing the offences covered under Legislative Decree No. 231 of 2001 (hereinafter 'Sensitive Activities') are identified through a Corporate process analysis. Each Sensitive Activity is associated with a specific contact for individual Corporate processes (Key Officer), as well as with existing operational and management conditions and the control factors in force. A comparative analysis is then carried out between the existing control environment and the principles and contents of Model 231. According to the document 'Internal Control-Integrated Framework', issued by the Committee of Sponsoring Organisations, the system of internal control can be defined as a set of facilities, procedures and tools prepared by management to ensure the achievement of the objectives of Corporate functioning efficiency, reliability of financial information, compliance with laws and regulations, and protection of Corporate assets;
- the tasks of the Compliance Committee: to check the effectiveness of Saipem SpA's Model 231 and to act as guarantor for the Saipem Code of Ethics;
- the addressees of the Model: the members of Corporate bodies, of management, the employees of Saipem SpA as well as anybody who works in Italy or abroad for the achievement of Saipem's objectives and all other stakeholders;

- a disciplinary system structure: this is designed to contribute to the effectiveness of the Model and of the control process carried out by the Compliance Committee. Any sanctions are commensurate with the violation committed;
- control tools: including both general standards of transparency for activities and control standards specific to the Company;
- rules for updating the Model.

The Code of Ethics

The complexity of Saipem's market context, the challenges of sustainable development that the Company faces, and the need to take into consideration the interests of all stakeholders, combine to underscore the importance of defining clearly the values that Saipem accepts, acknowledges and shares as well as the responsibilities it takes upon itself in its effort to help build a better future for everyone.

Saipem's Code of Ethics includes all of the Company's general principles of sustainability. It also sets out guidelines for stakeholder relations and identifies the roles, responsibilities and tools, as well as the internal organisational structure, by which the Code itself is implemented. Saipem is also committed to protecting and promoting human rights as the basis for a society founded on equality and solidarity, repudiation of war and the protection of civil, political, social,

Legal proceedings

Honesty and business integrity are the foundations of Saipem's operating model. Saipem undertakes, in compliance with the laws and regulations applicable to listed companies, to ensure maximum transparency and timing in the disclosure of any information to shareholders and to the market.

Saipem SpA recently received a notice of inquiry from Italian Prosecutors pursuant to Italian Legislative Decree No. 231/2001 and with reference to alleged corruption that, according to investigators, took place up through 2010 in Algeria. Saipem believes that its business activities have been conducted in compliance with applicable law, internal procedures, its Code of Ethics and its Organisation, Management and Control Model, and the Company has offered its full cooperation to the Prosecutor's office. More information on the subject can be found in Saipem Annual Report 2012.

economic and cultural rights, including self-determination, peace, and development and protection of the environment. Any form of discrimination, corruption, forced or child labour is rejected. Particular attention is paid to the acknowledgement and safeguarding of the dignity, freedom and equality of human beings, to the protection of labour and the freedom of trade union association, to health, safety, the environment and biodiversity, as well as to the set of values and principles set out in international institutions and conventions concerning transparency, energy efficiency and sustainable development.

An internal task force called the 'Code Promotion Team' ensures that the contents of the Code of Ethics are circulated among all Saipem employees.

All of Saipem's people shall refrain from any conduct contrary to the principles and contents of the Code, carefully selecting their external consultants and ensuring that these comply fully with the Code. They shall also demand that any third parties that have entered into contractual relations with Saipem confirm that they know the Code, report any possible violation of it or any request to violate it, and adopt prompt corrective measures as required by the specific circumstances, while at all times preventing any type of retaliation. To this end, the Team has had the Code translated into 12 languages representative of the areas in which the Company operates. Observance of the Code's rules is an essential part of the contractual obligations of all Saipem's people pursuant to and in accordance with laws in force.

Saipem procedures to prevent bribery

Saipem is committed to observing the principles of the United Nations Convention Against Corruption (UNCAC), the principles of the OECD Convention on Combating Bribery of Foreign Officials in International Business Transactions and the Business Principles for Countering Bribery issued by Transparency International. In accordance with Section II, paragraph 1 of the Saipem Code of Ethics, Saipem prohibits, with no exceptions, practices of corruption, unlawful favours, collusive behaviour, and direct or indirect solicitations for personal benefits and career gains for oneself or for others. In 2010, Saipem issued the Anti-Corruption Compliance Guidelines and the first two Anti-Corruption Ancillary

Procedures, relating respectively to joint venture agreements and intermediary agreements, followed by other Ancillary Procedures in specific risk areas. Moreover, an Anti-Corruption Legal Support Unit was set up in the Saipem Legal Affairs Department to take charge of providing Saipem's Business Units and subsidiaries, both in Italy and abroad, with ad hoc legal advice and support on specific anti-corruption issues, as well as to promote and co-ordinate anti-corruption training and review and update the Anti-Corruption Compliance Guidelines on a periodical basis. This unit also submits an annual report on its monitoring activity to the Saipem Compliance Committee. Both the Anti-Corruption Compliance Guidelines and the Anti-Corruption Ancillary Procedures have been adopted by all Saipem subsidiaries in Italy and abroad.

In 2012, the Board of Directors approved the new Anti-Corruption Management System Guideline (MSG). Taking into consideration the recent UK Bribery Act (where applicable), this procedure provides for the future introduction of a register on which each gift, economic advantage or other utility offered or received by Saipem personnel will be recorded. The MSG allows political donations only if obliged by local laws and following an authorisation process which includes due diligence over the beneficiary. It further imposes the duty to report any request received from a public official or private party for unlawful payments, gifts, personal benefits, meals, entertainment expenses, employment or other utilities other than those that are reasonable and in good faith. Saipem requires compliance with the anti-corruption laws by all its intermediaries, its business partners and its 'covered business partners', who, in carrying out their activities in the interest of Saipem, may come into contact with public officials. Saipem personnel have the duty to comply with anti-corruption rules. To this end, all relevant documents are easily accessible on the Company's intranet portal. In this context, a role of primary importance is vested in the managers, who have the duty to promote their team's compliance with the Anti-Corruption MSG and Ancillary Procedures. The Internal Audit function examines and independently evaluates internal controls to ensure that the provisions of the Anti-Corruption Compliance Guidelines are adhered to on the basis of their annual audit programme, as approved by the Board of Directors.

Whistleblowing procedure

Saipem disseminates, at every level of its organisation, policies and procedures characterised by awareness of the existence of controls and by an informed and voluntary control oriented mentality. A positive attitude towards controls is required if these are to be increasingly efficient. Internal controls can be defined as all those tools deemed necessary or useful for addressing, managing and checking activities in the Company. They aim to ensure observance of Corporate laws and procedures, protect

Corporate assets, efficiently manage operations and provide precise and complete accounting information. The whistleblowing procedure was set up in order to facilitate the receipt, analysis and processing of reports, including those received confidentially or anonymously, disclosing irregularities in relation to the internal control system, Corporate reporting, Company administrative liability, fraud, violation of the Code of Ethics, mobbing, theft, security, etc., submitted by employees (including

top managers), members of Company Boards or third parties. The procedure is applied by Saipem and its subsidiaries. Whistleblowing is possible through an online procedure or by ordinary post, fax, voice mail or e-mail. Bona fide individuals who report a non-compliance are protected against retaliation, discrimination and/or any type of penalty. Their anonymity will be safeguarded, except for cases of legal requirement, the rights of the Company and the rights of any person(s) wrongly or unlawfully accused.

All reports concerning matters defined under the heading 'Report' are subject to preliminary verification, the aim of which is to assess the legal and practical implications and to decide whether or not to proceed. This is carried out by the Internal Audit function which, on the basis of the data available, assesses whether sufficient evidence exists to undertake an audit. Audits arising from Reports are carried

out directly by the Internal Audit function with priority over scheduled annual audits. The work team conducting the audit uses the operating standards of the Internal Audit function, drawn up in accordance with international standards issued by the Institute of Internal Auditors (IIA). The audit includes interviews with the party who made the report, the person against whom the allegations have been made, and any witnesses available. Once the audit has been completed, the results are assessed promptly. A quarterly and half-yearly report is drafted and submitted to the Chairman, the Board of Auditors, the Audit and Risk Committee, independent auditors, the Internal Audit function of Eni, the Chief Financial Officer (for matters concerning accounts, internal accounting controls, audits and fraud investigations) and the Compliance Committee (for matters concerning Company administrative liability pursuant to Legislative Decree No. 231/2001).

NUMBER OF GRIEVANCES	2011*	2012
Founded or partially founded	3	5
Unfounded	38	16
Pending	1	21
Total	42	42

[*] Data updated at December 31, 2012.

Training on business ethics

Anti-Corruption Procedures

Saipem employees must be informed about and understand the importance of complying with internal Company procedures and anti-corruption laws in force. In this way they become aware of the various crimes, risks, and personal and administrative liabilities that the Company may be exposed to, as well as the measures that should be taken to combat corruption and prevent any sanctions that could arise from breaches of the law. This is why Saipem organises several training courses using both e-learning and workshop methods.

In particular, all At-Risk Personnel (employees who have contacts with Public Officials or who may enter into contracts with third parties on Saipem's behalf)¹ are subject to a mandatory anti-corruption training programme. To this end:

- when hired or given new responsibilities, or, if this is not practicable, as soon as reasonably possible, At-Risk Personnel shall receive a copy of and training in the Anti-Corruption MSG and relevant anti-corruption laws;
- At-Risk Personnel must receive periodic refresher training and are themselves responsible for completing the relevant courses. Each manager of At-Risk Personnel must ensure that this commitment is met.

Code of Ethics and Organisation, Management and Control Model

Saipem undertakes to operate within the framework of the Universal Declaration of Human Rights adopted by the United Nations, the Fundamental Conventions of the ILO (International Labour Organisation) and the OECD Guidelines for Multinational Enterprises. Compliance with the contents of the Code of Ethics and the Organisation, Management and Control Model, and working with honesty, correctness, cooperation, loyalty and mutual respect are essential elements for ensuring both the quality work and professionalism of Saipem people. Saipem organises a variety of training courses on the contents of the Code of Ethics and the Model using e-learning and workshop methods. These aim to strengthen the participant's sensitivity to the ethical implications of Company operations, to raise awareness of the ethical problems implicit in economic choices and to promote knowledge and clear interpretation of the Code in order to facilitate its implementation.

1,050

PARTICIPANTS

16,800

TRAINING HOURS

[1] Further information on this subject can be found in the Anti-Corruption Management System Guideline.

Managing Company business for long-lasting success

Saipem's Business Model is based on the delivery of new, innovative and complex solutions – especially for the largest and most challenging projects – utilising a globally integrated network of skills and assets. Such solutions play a vital role in the Company's focus on efficiency with a view to improving business.

In the current global macroeconomic context, demand for liquid gas is expected to grow from 89.5 mmboe/d in 2012 to 94.7 mmboe/d in 2016. This will be mainly driven by non-OECD countries, where demand should increase at a rate of about 3% per year between 2012 and 2016, while OECD countries should remain stable in the short to medium term. In parallel with growth in demand, the global supply of liquid gas is expected to increase from

the present 90.5 mmboe/d in 2012 to match demand in 2016. OPEC countries should increase their supply to 37.7 mmboe/d and non-OPEC countries to 54.2 mmboe/d by 2016.

Both supply and demand for natural gas continue to grow and in 2012 stood at 119 trillion cubic feet against 114 trillion cubic feet in 2011. In the 2012-2016 period, growth in demand for natural gas should come mainly from non-OECD

Independent Expert's Report



Review by Graham Baxter

Technology mastery is a key distinguishing capability in this sector, especially as operating environments get ever tougher. I welcome the detailed descriptions both of industry challenges and of Saipem's responses, including those of the Castorone and Scarabeo 8 and 9 vessels. By designing in the highest standards of environmental protection and safety management equipment, these craft are well equipped to achieve project sustainability goals. Though as demonstrated by accidents in 2012 at other companies, Arctic exploration and production

presents particularly daunting challenges affecting sensitive acreage. While it is clear that Saipem is well equipped both with latest technology and with staff capabilities, there can be no room for complacency or under-estimation of the risks associated with Arctic exploration.

Governments' requirements for Local Content provision continue to increase. Saipem is well positioned to deliver against this trend thanks to the progressive positioning already taken. However, it would be helpful to report more about how Saipem applies its SELCE tool to performance manage the delivery of

Local Content programmes. While Local Content delivery must be matched to local capacity in order to respond, paradoxically it is where need is greatest (because capability is weakest) that the greatest effort and input is required. The baseline assessment for sustainable business must not result in reduced commitment where needs might be greatest. Finally, while the solicitation of customer feedback is hugely valuable and the average scores on display are commendable, it would build trust and enhance confidence if some negative trends were also reported.

countries, while on the supply side increases will be seen in all geographic areas (with the exception of Europe). Henry Hub prices are still affected by the shale gas 'revolution' in the US and are therefore expected to remain at around half those of the pre-crisis level in a mid-term projection. In Japan, despite the increased dependence on foreign supplies as a consequence of the nuclear accident, the price of LTC gas should gradually decline to around 12.5 USD/MBTU in 2016 versus 15.9 USD/MBTU in 2012. Amongst other things, this will be due to the projected new supply from offshore gas field developments in South East Asia. CAPEX spending in the upstream sector (including pipelines and LNG liquefaction) is expected to increase over the next few years. From under 800 billion dollars in 2012, global upstream CAPEX should reach 1 trillion dollars by 2016, totalling almost 4 trillion dollars in the 2013-2016 period. North America and Asia-Pacific together account for 60% of global spending and are the fastest growing areas along with Russia and the Caspian Sea. Offshore spending is expected to increase in the next four years, totalling 1 trillion dollars in the period 2013-2016. Asia-Pacific, Latin America, Europe, Russia, the Caspian Sea and Africa are all marked by robust growth. In the onshore upstream sector, almost 3 trillion dollars are expected to be spent in the next 4 years, with a growing focus on LNG projects. The most active areas in this regard are North America and Asia-Pacific, the fastest growing regions along with Latin America. In the medium term, the continuous development of onshore fields and contract opportunities is expected. Iraq dominates the OPEC scenario with 63% of global onshore development projects, thus becoming a key investment opportunity in international markets. Other major onshore field development projects are located in Venezuela, Libya and Iran (which remains of considerable interest in the global situation despite international closure and political restrictions in the country). The offshore and drilling sectors (with a special focus on deepwater and ultra-deepwater projects) reflect the dynamic state of the Oil&Gas industry. They can be seen as the key growth market and in the short to medium term will be the most capital intensive areas for development. In Brazil, Petrobras is expected to continue its dominance in the deepwater sector, followed by the Gulf of Mexico, West Africa and Asia-Pacific. The depletion of reserves in onshore and shallow waters and advancements in seismic and drilling technologies are driving increased drilling activities in deepwater offshore regions. In recent years, interest in developing offshore Oil&Gas resources in the Arctic has grown considerably. Recoverable crude oil resources in the region north of the Arctic Circle are estimated to be 90 billion barrels (14% of the world's total) and gas resources 47 trillion cubic metres, about 84% of which are thought to be offshore. Despite constant exploration activities by ExxonMobil, Shell, Statoil and Eni, it is not expected that the Arctic offshore will be ready in the medium term to provide a large contribution to global Oil&Gas supplies. The

main reasons for this are to be found in the technical and environmental challenges and in the high costs of operating in extreme conditions (ice floes, shipping in frozen water, etc.). In the longer term, technological advances and/or higher oil prices could mean that Arctic resources will have a very significant role to play. With rising global demand for LNG and the increasing ambitions of emerging producer nations, in particular in West Africa and Asia-Pacific, the FLNG market shows exceptional growth levels and is set to be a game-changer for the Oil&Gas industry, opening up the possibility of exploiting gas reserves without the need for pipelines and other fixed infrastructures.

€19,738 bln

IS SAIPEM'S TOTAL CONTRACT BACKLOG

41%

OF WHICH IS FROM NOC CLIENTS

Saipem Tops the Global E&C Rankings in Size and Quality

In its last issue of 2012, IHS Chemical Week declared Saipem to be the largest global E&C General Contractor for onshore hydrocarbons and related sectors (year of reference 2011).

A few months earlier, a benchmarking survey conducted by Transmar, a consulting firm based in Houston, ranked Saipem as third highest overall among the 16 largest Global E&C General Contractors.

This multiclient benchmarking survey was performed in September 2012 as part of a broader study on global market trends in the Upstream Oil&Gas industry. Among other aspects, the report contained feedback from one-to-one interviews with 160 senior executives from IOCs and most NOCs from every continent.

The study divided the contractors' performance into twelve critical 'Rating Factors' of success, comprising capabilities in HSE (viewed, along with Quality and Sustainability, as a top priority by the 160 executives interviewed), Management, Engineering, Construction and other critical components.

For nine critical factors out of the total twelve, Saipem received an above-average score, including for areas such as safety organisation, procurement capabilities and project management.

In short, this was very encouraging public recognition of the overall quality and reputation of Saipem's global performance.

Sustainable Business and Local Content

The development of sustainable business by maximising Local Content through the promotion of social and economic development in the countries and communities where it operates is one of the main features of Saipem's business strategy.

Indeed, the Company has a consolidated local presence, a decentralised and multicultural organisation and long-lasting relationships with NOCs (National Oil Companies).

Saipem aims to build stable and long-term ties with local communities by bringing benefits in terms of investments and jobs, and by developing human capital along with local entrepreneurial skills. The Company's commitment in pursuing this strategy has several practical expressions. Over the years, Saipem has set up local project execution centres to carry out all or most of its engineering, procurement, project management and construction activities, and has also created engineering centres in Norway, Romania, Croatia and India. Moreover, the Company has built fabrication yards in countries such as Nigeria, Angola, Kazakhstan and, more recently, Indonesia, the United Arab Emirates, Canada and Brazil (ongoing). Saipem's drive to develop mutual cooperation and a long-lasting presence in host countries faces limits and uncertainties that must be overcome. These obstacles are

commonly related to the general capacity and competence of local industry and the overall framework in which it has to operate, including the level of infrastructural development, social and political risks, educational factors, access to credit, inefficient business licensing procedures, slow and inefficient prequalification and certification procedures, and strict regulations on labour migration. Saipem therefore needs to weigh up the likelihood of facing entry barriers and a local context which, in some countries, can impede the enhancement of business development and Local Content. Saipem uses this information effectively in order to classify and assess the local context in which the Company intends to operate and, in so doing, develops a realistic baseline for sustainable business.

Despite country-related factors, which can be defined as 'outside the Company's control', the efforts invested in analysing Local Content data and in developing a country-tailored strategy lead to the generation of social and commercial benefits that contribute to local development.

In what is a complex and challenging market scenario, Saipem's Local Content strategy can be seen as the key to its levels of excellence in a sustainable business approach with its international and national clients.

New Developments for New Offshore Markets

Although to an outside viewer the Oil&Gas industry might appear as traditional and well-set in its ways, a quick glimpse over the past decade reveals a pattern of continuous, often dramatic and frequently unpredicted change.

All growth in new Oil&Gas production since 1980 has come from the new and non-conventional sources, primarily offshore. This trend is set to continue in the future, as the following facts testify:

- new discoveries have shifted the centre of gravity from traditional Oil&Gas production provinces towards the oil sands of Canada, the coal bed methane reserves in Australia, and offshore wells in increasingly deeper waters;
- there have been monumental new Oil&Gas discoveries in Brazil, and more recently in East Africa, the 'Shale Gas Revolution' is already under way in North America, and will probably also commence in other new producing countries in the near future;
- new discoveries have been made in very cold and impenetrable Arctic or Sub-Arctic environments, in the ultra-shallow waters of the Caspian, and onshore in Turkmenistan. There has also been a recent expansion

of investments on the Sakhalin island, to say nothing of current prospects in the Yamal peninsula, both in Russia.

In most of these cases, Saipem's proven technical innovations and new investments have contributed towards making it possible to exploit the opportunities that have arisen. The following are just a few of the Company's most important recent accomplishments in these areas:

- the launch of the new flagship vessel Castorone, which at 330 m in length is the largest pipelay vessel in the world. It has numerous new technical features, tools and systems, such as advanced Class 3 Dynamic Positioning, triple-joint welding, an innovative stinger design to allow high productivity S-Lay, on board switch to J-Lay, from ultra-deep to shallow water flexibility and, finally, Sub-Arctic capabilities. The Castorone is currently undergoing sea trials before starting service on the first of many projects awarded in the Gulf of Mexico;
- the development of new and faster pipeline welding and laying procedures, which, amongst other things, allowed Saipem to complete the 1,224 km twin 48" Nord Stream



Wu Zong Tang, 'Castorone', Singapore

project, the largest and heaviest offshore pipelaying effort ever undertaken, within budget and 3 months ahead of schedule;

- the development of ultra-complex methodologies and assets for subsea field development, where production occurs with plants built and operated by remote control on the seabed, often at depths of 2,000-3,000 m, connected with floaters via state-of-the-art umbilicals and risers.

Indeed, in October 2012 Saipem extended its recent successful sequence of awards in the subsea market segment with the acquisition by Petrobras of the Sapinhoa Norte and Cernambi Sul Collection and Export Systems EPIC contract in the deepwater Pre-Salt Santos Basin (Brazil). In order to maximise Local Content, a key pillar of Saipem's strategy, the project will utilise the Company's newly acquired and developed yard in Guarujá for local construction of part of the riser equipment. This award follows many other similar EPIC contracts currently under design and execution by Saipem in the South Atlantic, China, Egypt, and elsewhere.

Subsea projects are traditionally run by Saipem from its subsidiary in Paris. In order to satisfy the growing market demand worldwide, as well as much needed Local Content, the design and project execution capabilities of the subsea projects are also being expanded at the project execution centre in Fano, Italy. Similar technical competences and project execution capabilities are being developed energetically in Brazil, Nigeria and in Angola for the needs of large local markets. For applications in deeper waters and under more extreme metocean conditions, the technological portfolio of Saipem in the subsea arena is being extended with the development of a family of novel free-standing

risers to address the limitations of existing Steel Catenary Riser (SCR) and hybrid riser solutions. Original solutions have also been developed for the supply, on an EPIC basis, of subsea gas/liquid separation, subsea water separation and subsea treatment of produced water and seawater for injection. Qualification tests are currently underway.

Saipem is also one of the leading players in the development of floating production, storage and operations (FPSO) systems. The Company's substantial track record in the supply and lease of FPSOs is now being enhanced by the execution of the EPIC (Engineering, Procurement, Construction, Installation & Commissioning) contract for the OLT Livorno FSRU, featuring the first ever floating LNG regasification plant to be installed in open sea, planned for completion in 2013.

Saipem has developed numerous proprietary project design concepts for floating liquefied natural gas (FLNG) vessels – a new challenge in the floater market – by combining its experience in floaters with that in liquefaction plants. After initial efforts and what was later a successful design for Petrobras, several such projects are now under way in Australia and Asia, in the FEED and (in the future) EPIC phases, with Saipem's active participation.

In particular, Saipem is capable of proposing its own solutions for the tandem offloading of the LNG from the FLNG vessel, considered to be a critical enabler for the feasibility of this concept.

In parallel, Saipem has also developed concepts and designs of smaller size FLNG vessels, based on simpler and more compact process modules, in order to carry out fast-track, cost effective conversions of existing LNG carriers.

Scarabeo 8 and Scarabeo 9: cutting-edge vessels and environmental impact reduction

Scarabeo 8 and Scarabeo 9 are the latest offshore units to join Saipem's drilling fleet. Both are modern semi-submersibles designed to operate in water depths of up to 10,000 and 12,000 feet, respectively. Scarabeo 8 is a dual derrick semi-submersible delivered in April 2012. Construction was overseen directly by Saipem. The rig was designed and built to operate in cold and harsh environments and in 2012 was under contract for operations in the Norwegian sector of the Barents Sea. Scarabeo 9 is a dual ram semi-submersible delivered in January 2012. It was designed for mild environments and in 2012 was under contract for operations in the Middle and South Atlantic area. During the design phase of Scarabeo 8 and Scarabeo 9, strong attention was paid to reducing environmental impacts to a minimum and to improving health and safety standards:

- air emissions: the rigs are equipped with low emission and hence environmentally friendly diesel engines;
- zero discharge: in offshore drilling units, water (rain or water produced onboard) is normally collected in the bilges of the vessels, stored in baskets and then shipped ashore for treatment. Scarabeo 8 and Scarabeo 9, on the other hand, are equipped with special tools capable of filtering the water collected in the bilges. In this way, it is duly controlled prior to discharge into the sea (maximum oil content must not exceed 15 ppm). This means that shipping of containers to shore and the use of chemicals for the deperation of water are kept to a minimum and that only filtered sediments are sent for treatment;
- acoustic emissions: both Scarabeo 8 and Scarabeo 9 have very low acoustic emissions and, as a

consequence, minimal interference with the environment. This is made feasible on the Scarabeo 8 mainly thanks to its 'winterisation' (protection of the working areas against cold and wind) and on the Scarabeo 9 mainly due to the hydraulic system of the dual ram;

- automation: Scarabeo 8 was designed for full automation to avoid the direct physical involvement of the crew in the execution of operations. This means an increase in the health and safety standards of the unit;
- dynamic positioning: Scarabeo 8 and Scarabeo 9 are equipped with a DP3 system that allows an increase in operating efficiency and better control over the unit in the event of an accident. In this way, potential damage to key equipment, such as the blow out preventer (BOP) and, as a consequence, to the environment, is avoided.





Drilling operations and their challenges in the Arctic

Drilling operations in severely cold and/or Arctic environments require:

- rigs capable of withstanding low temperatures (for instance, constructed using cold-resistant iron);
- protection of the areas of the rig that are usually exposed ('winterisation') in order to allow the crew to carry out operations;
- an operating and logistical capacity to set up and perform operations in areas that are normally isolated and which strongly lack infrastructures.

The ability to perform drilling operations depends also on the specific features of the site. In some regions drilling is feasible only during limited time-windows (typically the spring-summer seasons) and is suspended for the rest of the year

due to the over-harsh conditions. At any rate, while drilling operations in Arctic environments do not require specific tools and equipment not also used in milder climates, once all of the above points are in place the ability to operate a rig in Arctic conditions depends solely on the experience and ability of the drilling contractor.

Saipem has been accumulating important experience in drilling operations in severely cold and/or Arctic environments since the early 1990s. Onshore operations include those in the Val d'Agri in Italy (where winterisation up to -25°C is required), but mainly in the Kazakhstan-Caspian area, where temperatures can reach up to -40°C in winter and up to $+40^{\circ}\text{C}$ in summer. The experience in Arctic conditions

in the Caspian area is based mainly on the operation of four heavy unit rigs. In Kazakhstan, the Company's legacy has also been enriched by the drilling of HPHT (High Pressure, High Temperature) wells with extremely toxic levels of H_2S . In Offshore Drilling, Saipem's experience of working in Sub-Arctic areas started with the semi-submersible drilling rig Scarabeo 5, which has been operating in the challenging 'playground' of Norway since its delivery in 1990. All of the above listed experiences have been leveraged in the design and construction of the semi-submersible Scarabeo 8, a unit specifically equipped to work in harsh environments and one which broadens Saipem's offer in this challenging niche of the market.

Saipem's organisational hub in France

Saipem France is an important organisational hub within the Group. It specialises in project management, engineering, procurement, construction, installation and technology development for both of onshore and offshore sectors, including the following product lines: Floaters, LNG, Maritime Works, Infrastructures, Offshore Wind Farms, Subsea Field Developments, Offshore Pipelines, Offshore Fixed Facilities, Platform Installation and Decommissioning, and Remote Subsea Technologies.

The Company was formerly known as Bouygues Offshore. Saipem and Bouygues Offshore initiated their collaboration in 1995 via the joint venture Saibos. In 2002, Saipem acquired a majority stake in Bouygues Offshore, an addition that strengthened the Group's offshore capabilities. Today the organisation employs more than 2,500 people, 60% of whom are engineers.

Saipem France plays an important role in the development and implementation of Saipem Group sustainability strategies within the areas where it executes projects. During the commercial and bid phase, Saipem France engages actively with both its national and international clients to assess and identify appropriate Local Content and community development initiatives in line with mutual project sustainability objectives. Engagement with clients on shared objectives is especially strong in countries such as Angola, Australia, Brazil, Congo, Indonesia and Nigeria, where sustainability and Local Content development in particular contribute to successful project execution. During project execution, Saipem France's project teams, together with other Group subsidiaries, design and implement sustainability initiatives in partnership with clients, local entities, partners, subcontractors and local community members. In 2012, for example, the Saipem France maritime works project Puerto Nuevo in Colombia developed various environmental, health and education related programmes with the local community, all of which contributed to the overall success of the project (as described on page 34).

In addition, Saipem France contributes to sustainability training in the Group. In 2012, this included communications activities through workshops (6), training sessions (6) and presentations to external stakeholders (6). This training helps build and strengthen the understanding and effectiveness of sustainability as a core business value. To support local capacity building as well as skills and competency development, formal and on-the-job training are provided for young engineering graduates. In recent years, Saipem France has integrated graduates from Indonesia, Angola and Nigeria (among others) into the Paris office as part of project engineering and management teams. This form of intensive training exposes them to new systems and processes, enriches their skills acquisition and accelerates the transfer of competencies, thereby strengthening the capacity of the local Saipem subsidiary when they return to their home country. The

training of young graduates is further complemented by considerable investment in the training of French intern and apprentice engineers. The importance of this investment was measured through the Saipem Externalities Local Content Evaluation (SELCE). Details of this assessment are described on page 6.

The end result is a significant contribution to the development of highly skilled project management engineering capabilities in France, as well as support for the development of these in the areas where the Group operates.

Customer Satisfaction

Understanding and measuring customer perceptions of how the Company delivers on the critical success factors is a fundamental part of Saipem's policy of continuous improvement. Saipem considers the systematic application of customer satisfaction management to be of vital importance for achieving first-rate results. The customer satisfaction tool is a web-based questionnaire in which clients are asked to give their feedback on the project. The questionnaire's structure includes several managerial and technical topics, ranging from engineering and procurement to operation and construction. Specific sections are dedicated to project management, communications, quality, HSE and sustainability.

In 2012, 84 questionnaires were received from clients of onshore, offshore and drilling projects. The feedback collected allowed Saipem to learn about its strengths and identify specific areas requiring improvement. The main outcomes were:

- in 2012 Saipem reaffirmed its performance levels of previous years: the average score obtained was 8.09/10;
- the average score for sustainability was 7.74/10;
- Saipem's clients are sensitive to and well informed about sustainability issues and are fully capable of judging work carried out by the Company in this regard.

The response of clients to the campaign was excellent, thanks above all to the vast amount of information and explanatory materials that the Company made available. Active participation in the campaign is indispensable if Saipem is at all times to meet its customers' needs and ensure long-term sustainable growth.



Charles-Antoine Guiche, 'Pipe initiation operation', Nigeria

Health & Safety: key principles in Saipem's operations

Saipem values the safety and well-being of its employees and contractors as well as that of the communities where its projects are carried out. To achieve this aim, Saipem at all times considers people as the core of its business and protects them by means of a rigorous HSE Management System.

A fundamental factor in ensuring Saipem's long-term business success is continuous improvement in the quality of services and products while at the same time protecting people and the environment. Emphasis is therefore placed on ensuring human health, operational safety, environmental protection and

quality enhancement. This commitment is in the best interests of clients, employees and contractors and of the communities in which Saipem operates.

With a view to reducing injuries and occupational illness to zero, Saipem promotes a HSE culture at every level of the Group through the active participation and support of all

Independent Expert's Report



Review by Graham Baxter

Saipem operates in an inherently dangerous sector, which is why it is essential to consistently focus on safety and risk management in all activities. While the safety performance reported is world-class, the tragic loss of life in the three fatal incidents and the flat-lining of LTIFR prove there is still work to do. Inclusion of leading indicators is valuable and could be further extended. And while the commitment of Saipem's management is clear, further underpinning of culture and behaviours is provided through compliance and audit. Hard summary data taken

from the HSE Management System as well as targets and performance could be included. In addition, the chapter would have been strengthened by reporting on how Saipem approaches process safety management through the design, operation and maintenance of the facilities it runs – this is essential.

It is good to see a Company focus on non-communicable diseases – the development challenge of 'epidemic proportions' as identified by the UN – including specific actions to raise awareness and give support to employees both through medical intervention and lifestyle choices. Saipem

is pushing the boundaries of technology application in health. Telecardiology and teledermatology appear to be ground-breaking applications and should be shared with health professionals within and beyond the industry. The focus on Malaria is also welcome, as is the explicit inclusion in work of communities close to operations. It would be good to hear of ways in which Saipem is sharing its extensive knowledge with global health initiatives to maximise the social benefit of its actions.

people involved in business operations. In order to fulfil this commitment, Saipem maintains a HSE Management System that is in line with the highest standards, in this way providing proper guidance to all companies in the Group. The main objectives are compliance with the law and with international standards, identification and assessment of HSE risks, implementation of mitigation measures, minimising of environmental impacts, provision of training

and adequate tools to employees so that they can perform their work competently and, finally, constant monitoring and auditing to foster continuous improvement of the HSE system and of HSE performance. Saipem Senior Management provides adequate human, financial and technical resources to achieve these objectives and assures implementation of HSE Management System within the entire Group.

Health and Safety Performance

Safety performances in 2012 were in line with targets set, with a significant improvement registered in the Total Recordable Incident Frequency Rate (TRIFR). The final result was 1.06, better than the 1.30 recorded in 2011 and the target of 1.235. The Lost-Time Injuries Frequency Rate (LTIFR) was 0.32, substantially unchanged compared to 2011. Target were thus achieved, evidence that the initiatives and corrective actions undertaken by top management have been successful.

Despite this positive trend, in 2012 three fatal accidents involving one subcontractor and two Saipem employees occurred on three different projects. The fatality involving the subcontractor employee occurred during excavation operations on an onshore project. One of the Saipem employees was mortally injured during tie-in operations in a trench, while the second was lethally struck by mud circulating during drilling operations. Specific and thorough investigations were conducted for each of these tragic events.

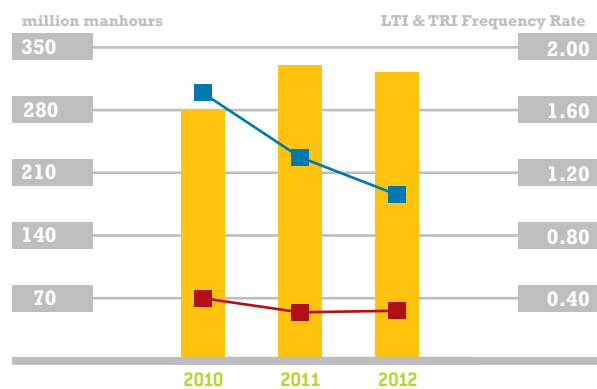
In light of the results of the root cause analysis, several actions were planned and implemented. These concerned specific technical enhancements, an improvement in the management of the permit to work process and an increase in dedicated training for supervisors.

Saipem's performance monitoring system includes several leading indicators designed to oversee how health and safety measures are implemented on a site or project. All leading indicators are monitored on a quarterly basis and

their trends give useful information about which areas are in need of improvement.

The performance results of HSE initiatives such as 'Leadership in Health and Safety', the 'Working at Heights Campaign' and the 'H- Factor' exceeded the targets set, thus demonstrating the commitment of senior management to the health and safety of personnel and to the continuous upgrading of the Saipem HSE Management System.

SAFETY PERFORMANCE

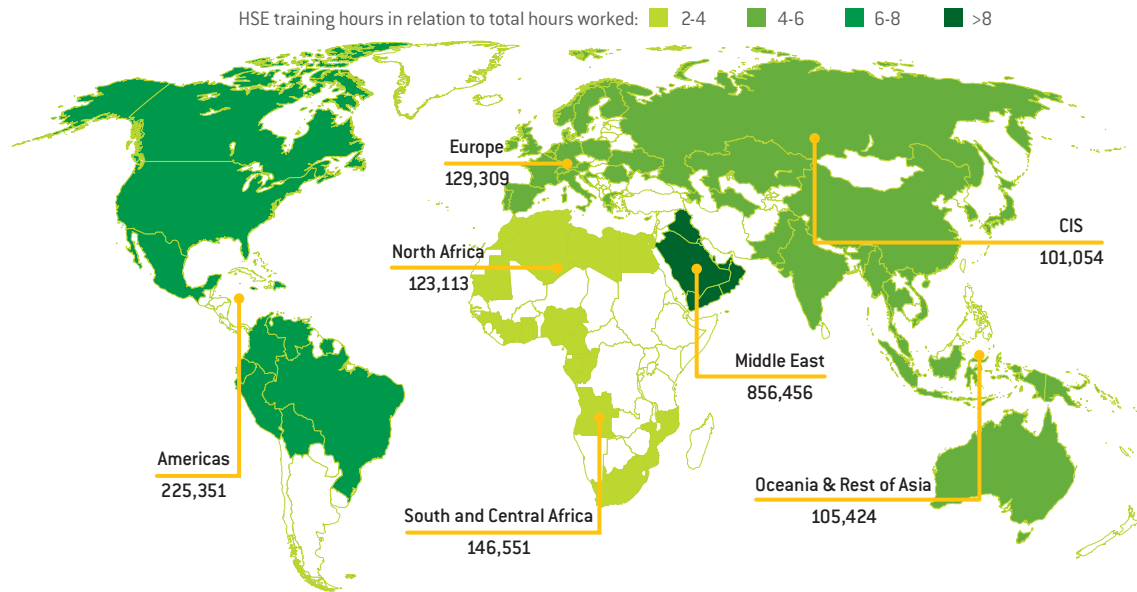


—■— TRI Frequency Rate (worldwide)
—■— LTI Frequency Rate (worldwide)

PROACTIVE INDICATORS	Target	Final result
Leadership in Health & Safety (No. of cascading events)	40	148
Working at heights campaign (No. of sites on which campaign was implemented)	6	10
Better Lifestyle (H-Factor) (No. of sites on which campaign was implemented)	4	12

ADDITIONAL LEADING INDICATORS	2010	2011	2012
Safety hazard observation cards	347,536	519,455	575,611
Job Safety Analysis	186,757	334,523	390,721
HSE inspection	132,911	189,663	258,875

HSE TRAINING HOURS



In 2012, Saipem provided a total of 1,687,258 hours of HSE training to employees working on projects. The graph shows that for every 1,000 hours worked, an average of 5.24 [3.6 in 2011] were spent on HSE training. Courses focused on the HSE Management System (9%), environment (5%), safety (62%), health (6%), general HSE (9%) and other (9%). In 2012, HSE training hours increased by 42% compared to 2011, mainly due to improved standards and guidelines, enhancement of the reporting system, compliance with legal requirements and implementation of the intensive training courses (working at height) planned the previous year.

STANDARDISING HSE TRAINING THROUGH DELPHI

Saipem's continuous focus on improving and updating its training processes has led to the adoption of a new method for standardising HSE courses. The purpose of this project is to align, share and improve know-how on HSE training throughout Saipem using a simple tool, the Delphi portal, which offers guidance to trainers from the moment they start organising a course up to the point where they fill in the form for its registration.

The project kicked-off in June 2012 with the launch of the portal, but is being improved continuously thanks to the uploading of training materials by all Saipem HSE Units (BUs, Companies, Branches, Sites and Vessels). Delphi has in fact been designed to tackle the dispersion and lack of uniformity in HSE training

on Saipem sites and projects by supplying a regularly updated and coded list of HSE courses as well as 4 documents for guiding trainers and aligning their methods and materials. The Delphi portal was designed to make it easier to consult and share news and training materials covering Health, Safety, Environment and the HSE Management System, as well as the specific legal requirements in the countries involved. The portal is open to all employees and can be used not just to register for HSE courses but also to download the presentations of courses attended and receive updates on activities planned. From both a managerial and administrative perspective, Delphi is also very useful for reporting HSE training data. Indeed, the system files all trainer information, such as

skills, certificates held, the frequency with which a trainer uses and downloads the standardised material and any feedback received from the trainers themselves or from course attendees. In short, this is a top-down approach supported by bottom-up interaction that acts as a driver for the ongoing development of Delphi. Through the standardisation and sharing of teaching materials, Delphi has contributed to the optimisation of quality, times and costs associated with HSE training activities, including those held in the remote areas where Saipem operates. Contents, presentations, knowledge and know-how, which used to belong to just a few trainers and were applied only locally, can now be shared and improved and become an integral part of Saipem's global HSE heritage.

SAFETY STARTS WITH ME
TOGETHER WE CARE



SAFETY STARTS WITH ME
TOGETHER WE CARE

Spreading HSE culture through training

In 2012, Saipem continued its intensive HSE training activity involving various countries. The aim was to spread a deep HSE culture using innovative methods such as 'Train the Trainer' and Coaching. Examples of some of the countries involved and the courses held are given below.

Nigeria: Safe Crane Operations HSE Course

Five 3-day courses, organised in cooperation with the TECO training centre, were held in February 2012 on the SCNL – Saipem Contracting (Nigeria) Ltd – base. Course aims included 'providing the minimum level of training needed to learn the technical and HSE skills required by employees responsible for the execution of onshore crane operations', as per ISO 23813 standard, with which the course in fact complies.

The course was attended by 28 candidates from Nigeria with previous and proven experience in lifting operations. These were broken up into five groups to maximise course effectiveness.

The main novelty of this type of experimental course is the use of a crane simulator for onshore operations. This enables participants to perform different types of lifting activities and exercises inside a training room, which means that they are not exposed to the hazards of practicing in a yard.

Participants all took theoretical and practical tests on the various course topics, with 75% and 60% as the minimum scores for passing the theoretical and practical assessments, respectively. Candidates who passed each part of the course received a participation certificate.

For future courses the potential of the simulator will be extended to other types of lifting equipment, such as dumpers, excavators, forklifts

and tower cranes. Furthermore, the graphics for the simulator exercises will be customised to represent typical Saipem sites.

It will also be possible to arrange 'Train the Trainer' courses on the course provider's premises or directly in the yards.

Algeria: the Coaching approach applied to HSE Training

On February 20, 2012 a course on Safe Working Systems, Confined Spaces and Commissioning & Pre-Commissioning Activities was held at the Saipem Contracting Algérie Ltd base in Hassi Messaoud. Organised in conjunction with APT, an Italian certified training centre (for the technical sessions), and Scuola Italiana di Life & Corporate Coaching (for the coaching sessions), the 4-day course was attended by 14 people, all working in the HSE field. The main novelty of the course was its structure, which involved typical HSE training based on a coaching approach from beginning to end. According to this method, the more strictly technical elements are taught using coaching tools through which participants can become familiar with concepts such as knowledge of the local culture, setting of objectives, motivation techniques and strengths development. These tools are then localised by participants in everyday practice in order to improve the effectiveness of the technical knowledge learned.

The main subjects covered were typical safety issues, such as Job Safety Analysis, Task Risk Assessment, Risk Reduction and Residual Risk, the Permit to Work System and Entry into Confined Spaces. In addition, attendees studied Commissioning and Pre-commissioning activities and their correct on-the-ground implementation. The objective of the course was to increase comprehension and awareness of

these specific areas, improve general knowledge of the HSE field and boost the ability of participants to perform high-risk operations correctly. Another aim related to the training - coaching combination was the processing of action protocols (checklists) that become a sort of performance plan to achieve specific measurable objectives set at the beginning of the course and then verified at the end. A follow-up test was given after some time had elapsed so that the effectiveness of the training could be measured. This will facilitate continuous improvement and consolidate what was learned during the course. Evaluation was by way of tests after the theoretical session and using case studies which were examined both individually and in groups. Individual practical tests were also given and included themes such as preparation of equipment for entry into confined spaces, and the use of emergency escape kits and breathing apparatuses for protection of the airways.

The methodology will be applied in future in-house training courses on potentially dangerous tasks and activities, and will include communication, evaluation and operational tools to facilitate understanding between HSE members and operational teams.

Iraq: 360° Training

In the first half of 2012 an HSE Officer training course was carried out at the Saipem Sharjah logistic base. The course was delivered in English. Nine employees (5 Iraqi, 2 Saudi, 1 Indian and 1 Tunisian) were trained to become supervisors for Saipem projects in Iraq, where Saipem operates locally through Sajer, a joint venture with local partners registered since 2009. Working in Iraq implies several difficulties such as political uncertainty, security concerns, lack of infrastructure, and

initiatives

a shortage of specialised human resources. The aim of the course, which covered the themes of quality, health, safety and environment, was precisely to improve employee technical skills and provide general but comprehensive knowledge. The first part of the course was held between March 12 and April 24 and focused on HSE. It was performed both by in-house trainers (who gave the participants a broad understanding of the HSE principles, practices and procedures mastered during their own work experience), and by renowned external training organisations such as ABS Academy, Sikker and ETSDC (who held courses on ISO 14001, OHSAS 18000, and working at heights and in confined spaces). Similarly, the second part of the course, dedicated to quality issues, was performed from June 6 to 20, again using both in-house and external trainers. The Internal Auditor course was delivered by BV and an Introduction to Welding was given by Omeco Srl. Certification was awarded to all participants on completion of external courses.

Kazakhstan: Special 'Train the Trainer' session for Ersai Llc and Saipem Kazakhstan Branch

In May 2012, a 'Train the Trainer' session was organised by Saipem Corporate HSE Training and APT Antincendio upon special request from the two companies working in Kazakhstan: Saipem Kazakhstan Branch and Ersai Caspian Contractor Llc.

APT Antincendio is a training centre that has been ISO 9001:2008 certified for the design and provision of training courses on Safety and Fire Fighting.

Course contents covered Working at Heights, Confined Spaces, Risk Assessment and Job Safety Analysis. The course was divided in two separate but equally important parts. The first lasted one week and

consisted in learning and practicing ways of teaching. It took place at the APT training centre which was designed and equipped precisely for this type of course. During the first three days participants received both theoretical and practical training. The following three days were dedicated to ways of conveying what they had learned, as the trainees became trainers and vice-versa. The strengths and weaknesses of each participant were assessed and a participant profile was created.

The six days of intensive training were concluded with a two-part test, one theoretical and the other based on practical exercises.

All trainees successfully passed the examination and were certified as trainers. The novelty of this course was the way the results were presented. Each participant's manager received not only the test results but also the candidate's profile consisting of skills, capabilities, approach during training and, finally, personal strengths and weaknesses.

The second part of the course involves review of the certification obtained on completion of the first part. This will be by means of an audit planned for the following year. Corporate HSE Training and APT trainers will attend the courses held by the new certified trainers on their respective sites and dedicated to three very specific topics: Working at Heights, Confined Spaces and Risk Assessment & Job Safety Analysis. Examiners will assess the degree to which the new trainers have fully understood and implemented the teaching techniques they learned on the 'Train the Trainer' course.

Brazil: HSE Training Project in Saipem do Brasil

Saipem do Brasil Serviços de Petróleo Ltda has become a recognised player in the booming local Oil&Gas market. Saipem is committed to assuring

a sustainable, long-term presence and believes know-how transfer is a fundamental step to achieve this goal.

As part of this objective, Saipem designed and organised an intensive two-week programme for HSE staff in Rio de Janeiro, Vitoria and Guarujá, which started on September 17, 2012.

The course focused on Corporate HSE requirements, and modules were delivered by internal trainers. The main topics dealt with were: Saipem HSE Management System; Risk Assessment; Job Safety Analysis; Permit to Work & Isolation, Confined Space Entry; Working at Heights; Safety Awareness of Lifting Operations and Scaffolding; Industrial Hygiene; Safe Use of Power Tools; Safe Welding, Cutting and Grinding; Personal Protective Equipment; Saipem Safety Reporting and Incident Investigation Procedures.

All 18 participants were tested before and after the training sessions to assess the effectiveness of the course and the degree of knowledge attained. Results showed that Saipem do Brasil HSE personnel had enhanced their knowledge to the highest standard.

From November 26 to 30, HGB, a local and renowned training organisation conducted a course for internal auditors in ISO 14001 and OHSAS 18001 standards.

Furthermore, Saipem do Brasil is planning to organise several legally required training modules targeted at local HSE staff and delivered by approved local training centres on their premises.

These concrete initiatives demonstrate the Company's commitment to local resource skills development and to spreading safety culture and best practices.

Commitment to Health Promotion

Saipem considers the ongoing enhancement of its Health Management System as a fundamental part of its responsibility towards employees. The Company is constantly involved in developing programmes to spread an individual culture and attitude in relation to health practices.

Non-Communicable Disease Prevention programme

Non-Communicable Diseases (NCD) such as cardiovascular diseases, hypertension, chronic respiratory diseases, type-2 diabetes and obesity are among the major causes of premature death and disability all over the world. As different data suggest that employees working in the Oil&Gas industry are exposed to a higher risk to NCDs than the general population, Saipem developed and began implementing a comprehensive Cardiovascular Disease Prevention programme (CVDPP) in 2009 with the aim of identifying, assessing and reducing controllable Cardiovascular Disease Risk Factors. The programme focuses on prevention and health promotion (life style modification) and is targeted at all employees, whether at risk or not. Indeed, employee participation is strongly recommended. People at risk are further advised to enrol in the Risk Factor Follow-up programme in order to decrease or at least maintain their individual Cardiovascular Disease Risk at the lowest possible level according to European cardiovascular guideline recommendations. The Heart SCORE, developed by European Society of Cardiology, is the method used to identify people at risk. A thorough reassessment of the programme will be made 5 years after implementation in order to determine the efficiency and effectiveness of the campaign.

In 2012, 127 sites were involved in the programme's development and 88 (69%) achieved the implementation criteria (at least 60% of employees assessed and at least 50% of people at risk enrolled in the Risk Factor Follow-up programme). Considering only those sites where the programme was implemented, the percentage

of employees assessed was 95% (6,884 out of 7,246) and the percentage of employees enrolled in the Risk Factor Follow-up programme was 92% (791 out of 863 at risk). Furthermore, as an integral part of its NCD prevention campaign, Saipem reinforced its Stop-Smoking programme. Through educational workshops, information campaigns, posters and lectures, it continuously informs its employees about the unhealthy effects of smoking and also offers support for those who wish to quit. Out of 6,884 people assessed for the smoking habit, around 22% (1,482) were found to be smokers. Of these, 34% (509) declared their intention to quit, 93% (475) of whom enrolled in the Stop-Smoking programme. However, only 18 became real non-smokers (12 months without tobacco use) by the end of 2012, whereas 53 employees were still within the time frame to complete the 12 month-trial period.

H-Factor programme

The H-Factor programme aims to create and promote a healthy food culture in Saipem, taking into account the diverse cultures, customs, nationalities and traditions of Saipem employees. This programme monitors the improvement in well-being, welfare and the quality of life of employees and their families. Although offered to all employees, significant benefits are gained by anyone who is obese and/or who is at risk of cardiovascular diseases due to hypertension, diabetes or dyslipidemia.

The programme unfolds in four chronological steps:

- Better Food – promote a health culture based on correct and balanced nutrition offering a healthier selection of food on operating sites;
- Better Community – create a warm and friendly atmosphere;
- Better Environment – nurture the behavioural patterns required to keep worksites and rest areas clean and healthy;
- Better Physical Activity – promote a culture of adequate physical activity and avoidance of a sedentary lifestyle.

The most important challenge is to ensure that the H-Factor's principles and application processes are strictly

PREVENTING CARDIOVASCULAR DISEASES IN PERU

Petrex works continuously to prevent the emergence of cardiovascular diseases, particularly among its workers. Although heart conditions represent a grave threat to health and can lead to regrettable consequences, they can be prevented if adequate measures are

implemented.

Petrex focuses this campaign on those workers who exhibit risk factors such as being overweight, smoking, and leading a sedentary lifestyle. At a workshop organised in 2012 by the Occupational Health Unit in conjunction with the Sustainability

Unit, 23 workers from the Ciudad Ojeda base learned about the risk factors that can lead to cardiovascular disease, as well as the measures required to prevent them, which include monitoring of blood pressure, a balanced diet, regular physical activity and abstinence from smoking.

adhered to by the various catering companies operating in Saipem. The H-Factor programme diet has been continuously served on the Saipem 7000 and on the Hassi Messaoud drilling base since its launch in 2010. Eighteen new operating sites joined the programme in 2012: these were Castoro 2; Perro Negro 8; FDS; FDS 2; Scarabeo 7; Saipem 12000; Castorone; Talara, Rig PTX 5864, Rig PTX 5857, Rig PTX 314, Rig PTX 316, Rig PTX 117, Rig PTX 16, Rig PTX 14 and Rig PTX 6 (Peru); Rig PTX 5929 and Rig PTX 22 (Colombia). The company intends to extend the H-Factor to more Saipem projects in the future.

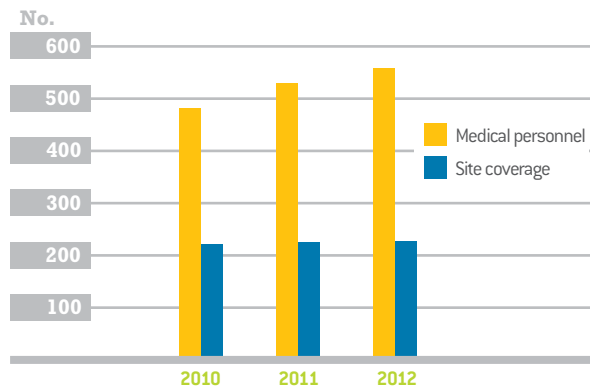
Telecardiology – efficiency and support in decision making

The implementation of Telecardiology in 2007 brought with it intrinsic value in terms of enhanced supervision of workers with known cardiovascular disorders and the signalling of those which could become full-blown disorders if not addressed. The provision of guidance in the decision-making process and in the assessment of symptoms that are similar to cardiovascular disease are the most visible and important benefits of the programme. The system has also demonstrated its extrinsic value by optimising Company costs for emergency management. Alongside monitoring of emergency situations, doctors are starting to use this service more and more for reassurance purposes and for routine examination of patients who seek medical advice for various reasons not necessarily related to prominent heart disorders.

In 2012, a total of 30 operating sites had fully implemented the Telecardiology service, 3 more compared to the previous year. It is planned to extend the programme to additional sites in 2013.

In 2012, the Saipem Telecardiology service forwarded 1,751 referrals to the Tel-Bios centre in Italy. Out of these, 59 cases (3%) were managed online or treated as an emergency requiring immediate interpretation and

MEDICAL PERSONNEL AND SITE COVERAGE

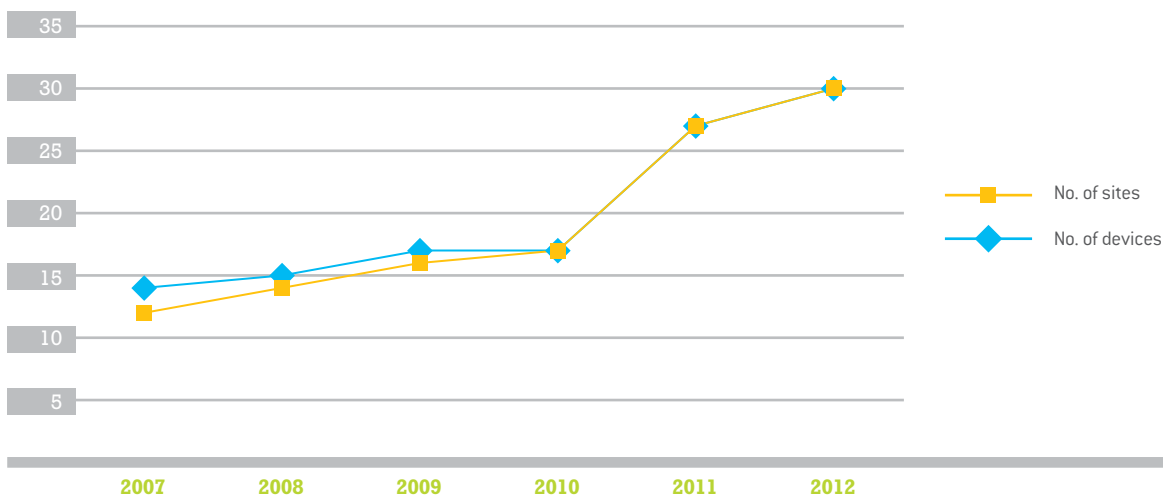


Saipem's projects worldwide are manned by 558 medical personnel including 44 subcontractor employees. Among those directly hired by Saipem, 74% belong to the local population. There are 227 operating sites covered in this year's report, a slight increase compared to the previous year.

support from a cardiologist because of the health factors involved. 1,692 (97%) were managed offline or did not require prompt attention. From the 59 ECGs submitted under the emergency code, 11 (19%) appeared normal, ruling out the heart as the origin of the patient's illness. 48 cases (81%) revealed a different degree of heart disorder but only 17% of these (10 patients) required medical evacuation.

The monitoring side of the programme included an important number of referrals. Out of the 1,751 ECGs carried out, 405 (23%) local employees involved in the monitoring programme or with symptoms requiring cardiac investigation were referred for further treatment or observation.

TELECARDIOLOGY



➔ MALARIA PREVENTION PROGRAMME

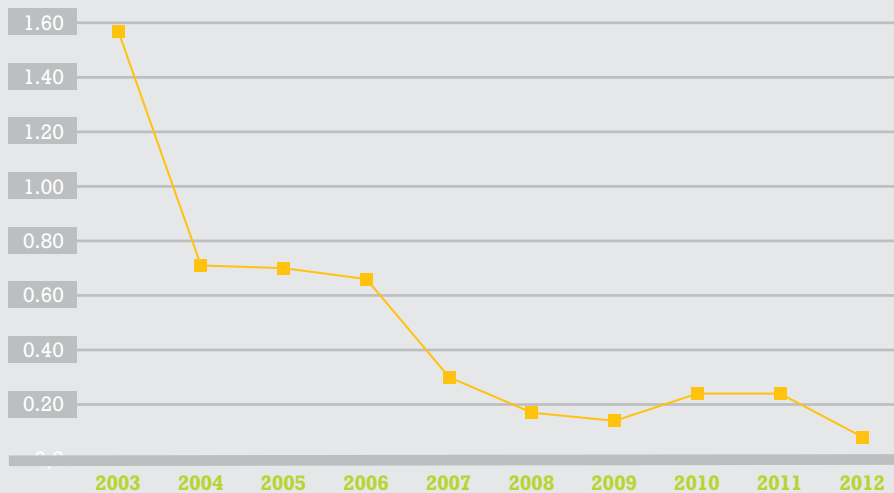
'If you think you're too small to make a difference, you haven't spent a night with a mosquito' (African proverb). According to the World Health Organisation's (WHO) 'World Malaria Report 2011', the malaria mortality rate has decreased by over 25% globally since 2000, and by 33% in the African Region. There were an estimated 655,000 deaths from malaria in 2010, which is 36,000 lower than the estimated mortality in 2009. While this 5% year-on-year decline represents significant

progress, the mortality figures are still disconcertingly high for a disease that is entirely preventable and treatable.

Malaria still represents an important health problem for all companies operating in high-risk malaria areas. Saipem is constantly developing its management strategies to boost malaria prevention. All 51 Saipem sites located in high risk malaria areas were covered under the Malaria Control programme in 2012. All 5,355 non-immune employees attended

the Malaria Awareness Course and lectures were held on each project, site or vessel located in high-risk malaria areas. This figure does not include employees who received training prior to site mobilisation and those who received malaria leaflets. The malaria case rate on all Saipem sites decreased from 0.24 to 0.08 in 2012, the lowest since data began to be recorded in 2003. This was made possible by the reinforcement of malaria control measures which proved to be effective. Aside from

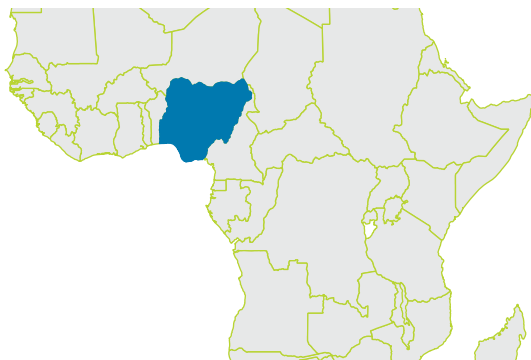
MALARIA CASE RATE



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

FOCUS ON NIGERIA

Implementing teledermatology



Graduate doctors on the MIOGATE (Master in Oil and Gas Telemedicine and Telepharmacy) programme in Nigeria felt the time had arrived not only to use existing Saipem telemedicine applications (Telecardiology), but also to try something completely new, something yet to be implemented. The knowledge acquired during their studies, a touch of creativity and a team of dedicated health professionals were all what were needed for this new idea to become a reality. It was decided to launch teledermatology as a pilot programme on Nigerian projects in order to test its effectiveness and usability and to prepare a ready-to-use

an efficient information campaign and the use of chemoprophylaxis medicines, bite prevention and vector control were also put in place. This includes fumigations within the site facilities, and distribution of mosquito repellents and permethrin treated clothes.

As part of the Company's commitment to sustainable development in host countries, Saipem also promoted educational campaigns against malaria among local communities with the distribution of mosquito nets.

Nigeria

Nigeria is a very densely populated country and the malaria incidence rate is high. In 2012, Saipem recorded 31 cases among its expatriate employees. According to the WHO's 'World Malaria Report 2011', Nigeria is still lacking preventive measures in the fight against malaria. All Saipem projects in Nigeria implemented aggressive information campaigns applicable to local realities. Employees were reminded about their social responsibility, as well as the need to be conscious of their behaviour and hence to avoid becoming a source of malaria that

could endanger their colleagues. The campaign included a written examination and those who failed were sent for further individual consultation with Saipem doctors. In partnership with the River State Primary Health-Care Board and women's group leaders in the Umuokwa, Umulu, Umuashibogu and Edegelem clan communities, Saipem Contracting (Nigeria) Ltd launched a malaria prevention campaign in Igbo-Etche (River State) in September 2012. Apart from lectures about malaria presented in local dialect, the Company distributed 550 insecticide treated nets to different families of Edegelem clan communities.

Congo

Boscongo celebrated World Malaria Day on April 25 with a toolbox talk emphasising malaria prevention and the struggle against this endemic disease. Health professionals particularly stressed the importance of chemoprophylaxis for expatriate employees, providing instructions for its usage and reaffirming that it was available at the clinic. A similar campaign was launched on Saipem M'Boundi Rigs 8591 and 8595. The

participants were very interested in the Malaria Control programme and pledged their cooperation to achieve the goal of 'Zero Malaria Cases' among employees.

Angola

Petromar Lda continues its mission to improve malaria prevention on its projects, extending the programme to the host community where the Company operates. In partnership with local stakeholders in Angola, Petromar held Health-Expo in the municipality of Viana on June 10, 2012. The project aimed to promote health in local communities by supporting low income families in combating malaria and other diseases.

During the Expo, an awareness campaign about malaria prevention and hygiene care was initiated. 100 adults were tested for malaria parasites, 60 children were vaccinated against polio and 100 children received deworming therapy. The Company distributed 200 insecticide treated mosquito nets to 54 families and around 100 more nets were distributed in the town of Dondo.

model which could be applied to different Saipem projects worldwide.

Teledermatology (Tele - over the distance, Dermatology - branch of medicine dealing with the skin and its diseases) is access to a dermatologist by means of telecommunications and information technology. It is the most simple application of telemedicine and does not require complicated technologies or huge investments. Indeed, a large part of all dermatological disorders are diagnosed only by visual examination of the skin and by asking specific questions of the patient. For 'simple' cases where visual examination suffices, teledermatology can be used.

In Nigeria, health professionals put together a thorough

health history of the patient, take several digital pictures of the skin and forward all this information via e-mail to the specialist. Confidentiality is protected using a code instead of the patient's name and surname. The diagnosis and treatment recommended by the dermatologist are communicated back via e-mail within a timeframe of 24 hours or less.

This pilot programme, which was launched in mid-2010 and has been operating continuously since then, has proven to be a functional, cost-effective and time-saving tool for Saipem projects worldwide. Using Teledermatology, the Company can now 'bring' dermatologists to every remote project site.

Leadership in Health & Safety

Leading Behaviours 2012

A pyramid, to be sure, but one built from the top downwards. From the tip. This may seem to go against all the principles of engineering, but the Leadership in Health & Safety programme is precisely this.

The first stone of the pyramid, the one highest up, was laid in 2007 by the Saipem CEO of that time, Pietro Franco Tali, when he personally launched the LiS programme which, as the missing 'H' from the acronym shows, was not yet fully oriented towards health.

The pyramid immediately got bigger. Top Management reporting directly to the CEO founded the Company's 'Safety Vision' and was involved in an initial series of workshops. Subsequently, these same people became the promoters of the need to change, sponsoring further workshops in which the people reporting to them were required to participate.

As of today, almost 700 workshops involving over 1,000 colleagues have been organised all over the world, making up the highest – and narrowest – part of the pyramid. Individuals – or, if you like, stones – who for reasons of rank or charisma have proven to be the most suitable resources, prop up the base on which the pyramid is built: on 600 occasions managers, supervisors or team leaders have rallied their staff to meeting rooms and classes in order to pass on the LiHS message personally. Up to 2012, the base of the pyramid was made up of over 23,000 participations of colleagues from sites and vessels.

The base of the pyramid was then 'cemented in' using practical instruments, such as the method of the 'Five Stars' intervention which has so far been taught to 7,000 people in 700 x 4-hour training events.

In 2011, further reinforcement was injected into all levels of the pyramid in the form of five 'Leading Behaviours', the adoption and

diffusion of which was entrusted to all Saipem people. These LBs are likewise presented through cascading events. Furthermore, dozens of stories originating from all locations where Saipem operates recount successful episodes of LB implementation and prove beyond all doubt that the reinforcement is working.

which this pyramid will become stronger, bigger and safer.

The Foundation

In 2012, the Leadership in Health & Safety Foundation (LiHS) was active in the areas of research, communications and education, including in society. This was with a view to spreading a greater culture of prevention in the



In December 2012, the Leadership in Health and Safety programme entered its sixth year of implementation.

The cultural change goes on, and Saipem's people all over the world continue to be the supports upon

area of health and safety.

Of special importance is the fact that in 2012 the LiHS Foundation began assisting Eni in the implementation of the project 'Eni in Safety', a natural development of Saipem's LiHS programme within the Group.

'In my long career (37 years), both in the industry and in the government, I have participated in many workshops and courses on safety subjects, but for me this was the best of all. I express this gratitude and respect on behalf of all the SSM participants'.

J.W. de Jong Inspector General of Mines - State Supervision of Mines - Ministry of Economic Affairs, The Netherlands

'LiHS is for those people who respect their workmates, whoever they are, as well as their family, their culture and their ideals. LiHS is for those people who want to smile and to see others smile as well. LiHS is for those people who see a future and who manage to get others to see it too'.

Luciano Muselli, Ersai Supervisor - Welding, Kuryk



'A few months have passed since I attended a LiHS session in Milan and I still feel the same enthusiasm and passion for safety I had back then. It was also very refreshing to see how we all share the same objective and the same safety culture and how we are all part of a common team with a common goal: developing an accident-free working environment. I am encouraging all my colleagues to participate in a LiHS session and ultimately become safety champions'.

Aymeric Floch, D&C Superintendent DT/FCP, Saipem 12000

'To any colleagues of mine who have not yet launched the LiHS programme, I advise doing so straight way. The experience is also an opportunity to build bonds and teamwork, and ensures more serious and longer lasting results than other team-building solutions'.

Fabio Rosso, Managing Director, Saipem Beijing

'The LiHS workshop transmitted an intense message that left me profoundly touched. My life, the lives of others, of our colleagues, families and friends is affected dramatically by our behaviour, which is why being a Leader in Safety is unquestionably the right thing to do in every instance and every second of our lives'.

Francesco Patonico, Pipeline Engineer, Singapore

'To use a new adjective, I have been 'LiHSized'. I no longer imagine my health and safety hero as another person, ever attentive to regulations and wearing protective clothing and devices at all times, but I now also don the same mantle. And my aim is to get everyone around me to do the same'.

Alex Castagna, Ersai General Manager, Aktau

'For me it was an extremely important objective, above all in conveying the message to my staff in the most gripping way, so that health and safety becomes an integral part of our modus vivendi'.

Franco Pandolfi, Area Manager Drilling BU, West and East Africa

'Despite differences and diversities, everyone agrees on the fact that all Safety Leaders are united in their shared commitment to pursue and maintain a culture of workplace health and safety'.

Allan Armstrong, QHSE Manager, Saipem APAC

'People are influenced by their leaders and are more than capable of understanding our real priorities. Only we can generate change, beginning first and foremost with ourselves'.

Francesco La Rosa, Iraq Initiatives Program Vice President, Saipem SpA

'At first I felt it was going to be difficult, but with the courage and approach that the Five Stars Intervention gave me following the training, I have made more friends after several interventions I have made'.

Ekerebe Benjamin, Welding Section, SCNL

'The main benefit of the LiHS workshop is not so much to learn the regulations to be applied, but rather to acquire greater awareness in critical situations and learn how to act not on impulse but by using your head, especially when a dangerous situation can be transformed into a tragic accident'.

Salvatore Morgante, Project Manager KUC, Khurais

'I truly believe that sharing LiHS with key stakeholders like clients and subcontractors at an appropriate level will create the enhanced safety strength that we need to face this challenging year'.

Vito Testaguzza, Managing Director, SCNL

'If I were to use one word to define the course, it would undoubtedly be 'enlightening'.

Gianfranco Gonzales, Yard Operation Manager, Arbatax

Environmental protection: delivering a sustainable future

All Saipem activities have the potential to affect the environment. The Company strives to avoid, minimise or mitigate these impacts starting from design phase on up to decommissioning.

One of Saipem's main commitments is to implement, where possible, strategies and initiatives to decrease energy consumption and/or increase the production and use of renewable energy, thus reducing greenhouse gas (GHG) emissions. Energy efficiency can be achieved by intervening on the behaviour and habits of personnel and by adopting

technical solutions.

In a multicultural company such as Saipem, the behaviour and habits of personnel are arguably the most difficult area upon which to act. Nevertheless, Saipem continued with the Environmental Awareness Campaign originally launched in 2010. This was targeted at all Saipem personnel with a view to promoting and influencing

Independent Expert's Report



Review by Khalid Ghozlani

In this year's Sustainability Report Saipem allocates a chapter to Environmental protection and the Company's role in delivering a sustainable future. While environmental themes are traditionally a sub-section of Health, Safety & Environment (HS&E), this departure from convention highlights Saipem's desire to focus on environmental protection and to improve communication on its efforts and achievements. The strength in the Saipem approach is in requiring reliable and traceable data from its bases and offices on a periodical basis, from which

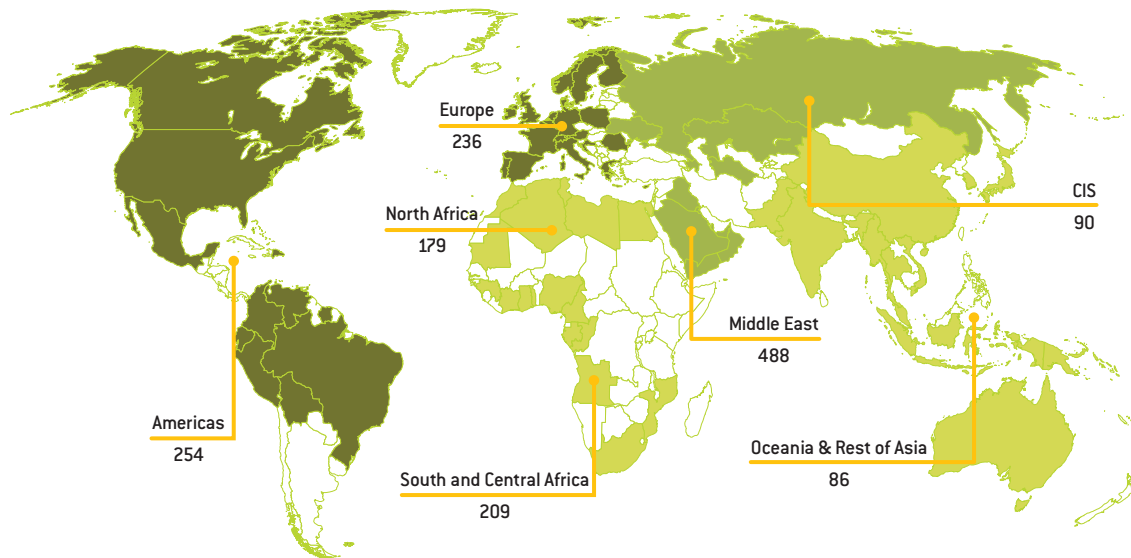
the Company can design its actions and assess its results.

The report provides various examples from different business units and regions where Saipem operates, and in each case attempts to quantify the benefits of environmental protection. The Railway project in UAE is a good case where an Environmental Impact Assessment (EIA) study identifies the most relevant environmental attributes of the location in question and quantifies them to design the most relevant strategy. In other cases, the EIA defines a valuable baseline to monitor the effectiveness

of a particular environmental protection strategy in use.

However, the efforts cited in the report are mostly geared towards Saipem's own locations and its own personnel. The behavioural and habit components rightly targeted by Saipem should be extended to include schools that are parts of its larger business eco-system. Indeed, when triggered at an early age, environmental protection awareness is more easily achievable and long-lasting, and prepares youth to become healthy adults with an environmental consciousness. Saipem should communicate more on this aspect of its strategy.

DIRECT GHG EMISSIONS (ktonnes)

 GHG emissions index (ktonnes per million manhours worked): ■ <4 ■ 4-5 ■ 5-7 ■ >8


In 2012, total GHG emissions compared to manhours worked were higher than in 2011, mainly due to increased diesel consumption on new onshore projects.

environmentally responsible behaviour.

As regards technical solutions, on the other hand, the best method for identifying these is Energetic Assessment, a diagnosis carried out on assets such as buildings, yards and vessels.

Appropriate Energetic Assessments have been planned on some assets and buildings in order to identify critical areas and propose measures to increase energy efficiency in line with ISO 50001:2001 standard 'Energy Management Systems - Requirements with Guidance for Use'.

An Energetic Assessment consists of the following distinct components:

- analysis of energy use and consumption;
- identification of significant energy use;
- identification, prioritisation and recording of energy improvement opportunities.

Finally, a cost-benefit analysis is obtained as the main output of the Energetic Assessment.

Energy efficiency on vessels

The requirements of the International Convention for the Prevention of Pollution from Ships (MARPOL) were recently amended to accommodate new rules on energy efficiency. The Energy Efficiency Design Index (EEDI) is now mandatory for new ships and the Ship Energy Efficiency Management Plan (SEEMP) for all ships. Other new additions include the International Energy Efficiency Certificate (IEEC) which is mandatory for all vessels of 400 GT and above, but which is not connected to a survey scheme and does not have an expiry date.

The Ship Energy Efficiency Management Plan (SEEMP) incorporates best practices for effective vessel fuel management, such as speed control during a voyage. These measures were designed to ensure significant

reductions of fuel consumption and, accordingly, of CO₂ emissions.

The SEEMP is compulsory for all vessels over 400 GT as of January 1, 2013. However, alongside a Flag Inspection or a Port State Control, verification that the SEEMP has been implemented on board also occurs with the first intermediate visit or renewal of the International Air Pollution Prevention (IAPP) certificate.

The ships in the Saipem fleet that already have SEEMP are Bar Protector and Saipem 7000. Four other vessels will follow in 2013.

The SEEMP covers the following major topics:

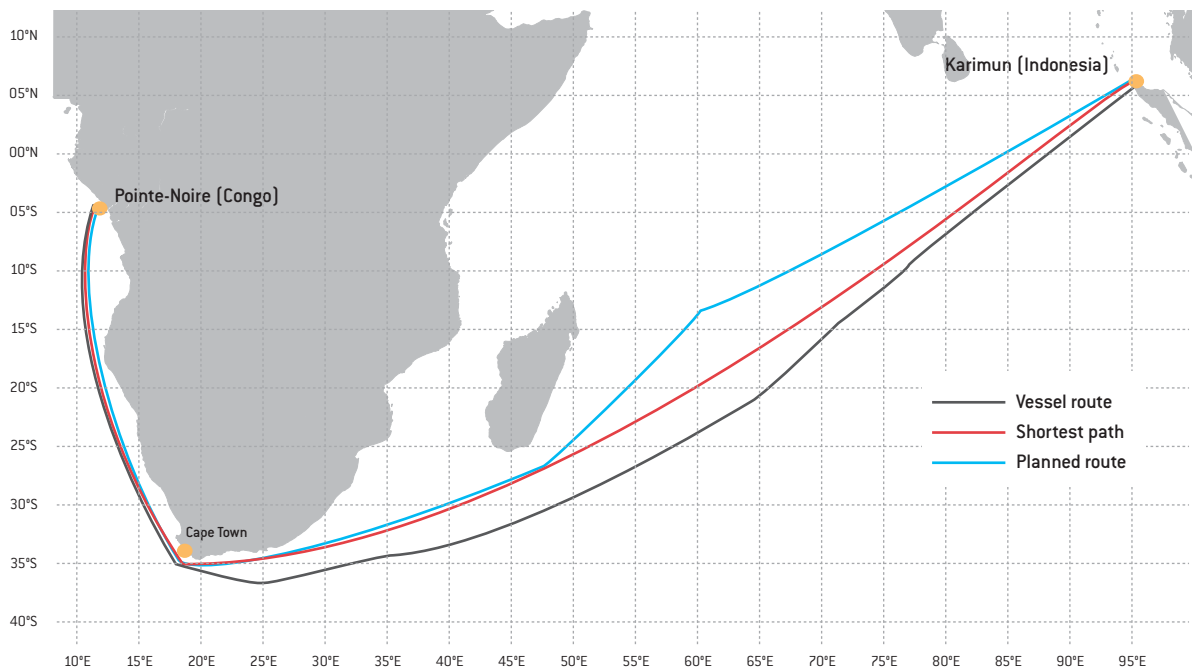
- ship description – to identify energy sources (i.e. fuel), energy converters (i.e. generators, boilers) and energy users (i.e. thrusters, air conditioning systems, lights);
- planning – to determine the current status of the ship's energy balance and identify areas for improvement;
- measures to be implemented – to save energy;
- goals – expected results to be achieved and the timeframe in which to achieve them (agreed on with the Company);
- monitoring – to quantify energy efficiency using Key Performance Indicators (KPIs) after the improvement actions have been implemented.

Furthermore, with the aim of reducing navigation times and, consequently, fuel consumption, another initiative was implemented in 2012 and utilised systematically for the longest navigation transits.

This was the Optimisation of Navigation Routes.

A preliminary route for the longest navigation is optimised on a daily basis. Local weather conditions, such as favourable currents or winds, are taken into consideration and used to the vessel's advantage. Conversely, sea and

VESSEL SAILED ROUTE VS. SHORTEST PATH ROUTE VS. PLANNED ROUTE



weather conditions that could be detrimental to navigation are avoided. Weather conditions are provided 4 times per day, and on the basis of this information the Captain, with the ongoing assistance of weather forecast company experts, can choose the best route. The Optimisation of Navigation Routes has already been implemented on all major navigations, such as FDS 2 from Karimun (Indonesia) to West Africa, Saipem 7000 from the Gulf of Mexico to the North Sea, Castorone from Singapore to the Gulf of Mexico and Saipem 3000 from Trieste (Italy) to Pointe-Noire (Congo). It has been verified that an average saving of 8% in navigation time is achievable, with consequent savings in fuel consumption and emissions. By way of example, the chart above shows the original and actual optimised routes of FDS 2 from Karimun to Pointe-Noire.

Installation of solar panels on the Karimun yard

In 2012, 49 solar water heater (SWH) panels were installed on the Saipem Karimun base in Indonesia. The panel system uses natural convection dynamics, known as the passive system. This means that pumps are not required for cold water to flow from the storage tank to the panel, where it is heated by the sun. One of the problems with this system is that there is no hot water during rainy days, but the device has been modified to switch automatically to electrical support. The total amount of energy saved when the solar panels are in operation is 422 kWh/day. Considering that Karimun enjoys 230 days of sunshine per year, annual energy savings amount to 97,000 kWh, which is a reduction of approximately 20 tonnes of CO₂ emissions.

Green PC project

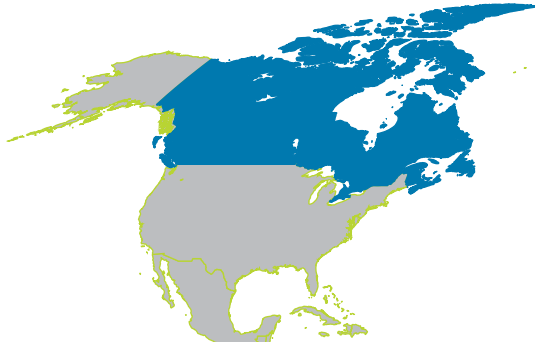
Saipem Corporate has launched the initiative 'Green PC' with the goal of reducing energy consumption when PCs are idle. The project kicked off with an experiment in the Fano office (Italy), where the 'PowerMan' software was installed on a sample of approximately 100 PCs from different departments. A significant reduction from 6.3 to 2.8 in the average number of hours that PCs were inactive each day was registered. Now 5,000 PCs are using 'PowerMan' software and results have shown that the amount of energy saved is 374 MWh per year whereas CO₂ emissions are down to the tune of 161 tonnes per year. By way of comparison, this amount represents the CO₂ produced by 86 cars travelling approximately 18,000 kilometres per year (Source: UP, Nomisma Energia NE). Installation of 'PowerMan' is gaining ground in Saipem SpA offices and the initiative is exportable to most Saipem sites.

Solar panels in Karimun



FOCUS ON CANADA

Water pollution control and waste water reduction: Husky Project



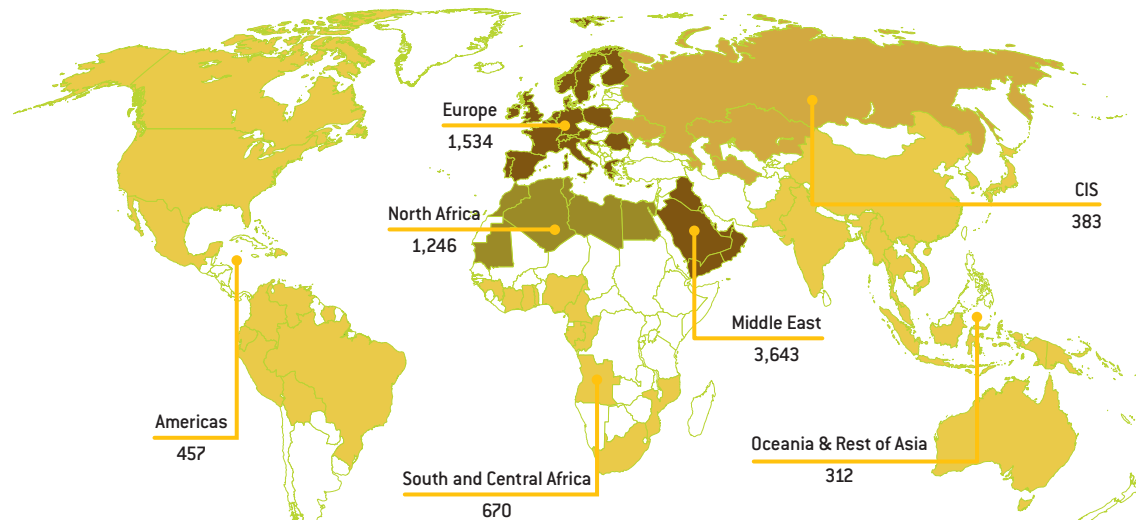
Saipem operates in Canada through its subsidiary Snamprogetti Canada. Activities include the Husky Project in the oil sand-rich Province of Alberta, near the city of Fort McMurray. Saipem is working to prevent contamination of the shallow water table, groundwater in general, and the surrounding waterways.

To this end, the Company has built a self-contained 15x10 m wash bay, a 20x20 m hazardous waste area, and a 15x10 m concrete washout area. These have been bermed and lined with an impermeable membrane to contain waste water deriving from vehicle washing, hazardous waste storage and the production of concrete, all of which can potentially lead to water contamination. In the event that one of the double-walled containers fails, the hazardous waste area acts as a fail-safe, in the sense that the lined and bermed area will hold back any spills that occur. Stored waste water is screened for pH, chloride and hydrocarbons. If the results are well within regulatory

guidelines, the waste water is reused as dust suppressant for onsite roads; if not it is transported off-site for treatment. This entire process enables the reduction of waste water while at the same time facilitating stricter control of water contamination and avoidance of dispersion into the environment of even the tiniest particles of polluting substances. During 2012 approximately 125 m³ of waste water were removed as hazardous, while approximately 50 m³ were reused. The concrete washout area is located near the on-site waste water treatment plant. The latter was designed for septic waste only (from the camp), but plans are under way to utilise it for the treatment of concrete waste water too. This will reduce the carbon footprint associated with transportation and increase the amount of waste water that can be reused. The camp has also cut back water pressure in an effort to reduce consumption and prevent the overburdening of the waste water treatment plant. In addition, hydrovacuumed areas falling under Saipem's responsibility are sampled and tested each day to ensure that they comply with pH, chloride and hydrocarbon sheen parameters. Although on-site hydrovac activities are low risk, they are nevertheless monitored to ensure that contaminants are not introduced into the waterways. Finally, in order to prevent the dispersal of polluting substances into surface water in the event of a large spill, the whole area is equipped with ditches leading to a set of drainage ponds, where waste water can be tested and contained without being released into the external environment.

WATER CONSUMPTION (thousand cubic metres)

Water consumption index (thousand cubic metres per million manhours worked):



Total water consumption in 2012 increased by 14% (in absolute value) due to large volumes of water reported by onshore projects in Algeria, Saudi Arabia and the UAE.

Protecting Biodiversity

Implementation of a strict Quarantine Plan in a sensitive environment in Australia

The Gorgon Project is located on the north-west coast of Western Australia, on a 'green-fields' site on Barrow Island, a nature reserve for the conservation of flora and fauna whose surrounding marine environment is part of the Montebello Barrow Island marine conservation reserves, which comprise a wide range of habitats and extremely high levels of marine biodiversity.

The Gorgon Project has committed to a quarantine policy for Barrow Island and the surrounding waters. The goal is to prevent the introduction of non autochthonous species, as these may contaminate the Australian environment. Contaminants that could be quarantine risk material (i.e. not originating from Barrow Island) include, but are not limited to, soil, insects, dirt, any other plant or animal material (dead or alive) and propagules adhering to goods or packaging. Saipem has prepared a Quarantine Management Plan (QMP) with a view to achieving a 'zero tolerance of invasions' target, as well as an associated quarantine regime to meet Company requirements during all project activities, starting with fabrication operations carried out in the overseas yard in Karimun, Indonesia. This means that the Quarantine Management Plan starts from the very fabrication of each part, and comprises all subsequent phases such as transport, stocking and installation.

In accordance with the site or vessel QMP, all personnel receive quarantine awareness training as part of toolbox meetings. These deal with site specific quarantine hazards, site quarantine objectives and site quarantine controls, and also identify roles and responsibilities. Quarantine inspections are conducted on site and inspection

checklists are implemented to ensure that compliance with the QMP and with procedures and specifications is being achieved. The checklists include housekeeping, invertebrate and vertebrate baiting, weed control, waste management, and inspections of the fabrication and quarantine management area, the erection area and the load out area.

Biodiversity protection in a Railway Project in UAE

The Shah-Habshan-Ruwais Railway Project involves construction of approximately 265 km of railway line. In accordance with local regulations, a Terrestrial Ecological Management Plan (TEMP) and a Construction Environmental Management Plan (CEMP) were prepared prior to construction. Pre-construction surveys were completed between August and September 2012. A key focus was the Spiny-Tailed Lizard (STL) (*Uromastix aegyptia microlepis*), one of the most vulnerable species in this area, listed in the IUCN red list. It lives on the flat gravel plain with a hard substrate to build a burrow in which it resides. Other animals such as snakes, scorpions, spiders, etc., also live alongside their burrows. Pre-construction survey activities included:

- initial walkover survey of the route to locate all STL and Desert Monitor (*Varanus griseus*) burrows;
- checking of the distance from the rail route to relevant biodiversity spots and mapping with GPS.

As a result, a total of 12 STL burrows were recorded together with the presence of 22 reptiles from six different species.

In addition, a total of 64 plants, all of which belonged to the species *Seidlitzia rosmarinus* (a perennial shrub), were identified and clearly marked.

Fifteen trees were catalogued. Of these, nine had to be translocated

and one required protection from works, since it was located just outside the construction corridor. Not only were all STL burrows within 200 m of the rail centre line located and recorded by GPS, but all gravel plains and petrified sand dune areas within the construction corridor were also visited.

All active burrows were marked with a colour coded flag and way-pointed using a GPS to facilitate identification during the trapping programme. Following construction of the reptile proof fence, nylon snares were placed at the entrance of the burrow allowing the lizards to retreat once caught. Two more capture techniques were employed: a trail of wire cage traps baited with melon, and fish netting. Trapping for diurnal and nocturnal reptile species was done using pitfall bucket traps and funnel traps. A series of transects consisting of five buckets and fence lines were arranged at various locations throughout the construction corridor. All traps were checked frequently, at least at dawn and dusk, to remove captured animals.

Also, nocturnal torchlight surveys were undertaken to identify species of gecko and snake. Transects were set and observed, and any reptiles sighted were captured by hand.

All reptiles were placed in a lockable, breathable container in an air conditioned vehicle to minimise stress. Details recorded included date of capture, species, location of capture, phenology, sex (male/female), habitat type and, finally, a photograph.

Release of animals was undertaken in two relocation sites previously identified as the most suitable.

This occurred during the coolest or most appropriate part of the day, depending on whether the species was nocturnal or diurnal. A total of 71 reptiles from seven different species were removed.

FOCUS ON COLOMBIA

Environmental Best Practices on the Puerto Nuevo Project



The area of the Puerto Nuevo Project is in Ciénaga Municipality, Santa Marta Department, in the Caribbean Sea region of Colombia. An Environmental Management System, developed for the project following an Environmental Impact Assessment, was used to ensure that environmental impacts were evaluated and monitored continuously.

Waste Management

Solid waste management for the waste generated during the Puerto Nuevo Project was mainly based on segregation. The waste was classified according to utility and hazard and collected and stored separately for the purpose of recycling.

Wastewater Management

The water used for cleaning the mixer's chute was purified in a decantation pool. This treatment consisted of three chambers in which suspended solids from the water were separated by gravity. A total of 20 m³ of water was treated

in this manner and then collected by an authorised company for further treatment.

Oil spill prevention

In order to prevent oil and chemical product spills onto the ground, a spill prevention campaign was conducted by the HSE Department. Workers were provided with training on how to prevent this kind of situation and how to respond in the event of an actual occurrence. In addition, the HSE team installed several spill kits to enable operators to respond rapidly to an oil spill. Oil spill kits were also provided to enable truck drivers to deal with spills during transportation. An offshore spill kit was also placed in the beach area, in the vicinity of the abutment. Finally, a number of teams were given proper training to allow them to intervene correctly in the event of onshore or offshore oil or chemical spills.

Environmental training

Several training activities targeted at staff and the workforce regarding various environmental issues were conducted during project execution with the aim of increasing skills and awareness and achieving improved resource management and environmental protection. In conjunction with the waste service supplier, specific training on waste management, separation and hazardous waste handling was also provided to all project workers directly involved. A total of 1,483 workers took part.

The Puerto Nuevo Project, Colombia



Environmental Awareness Campaign - 2012

The Saipem Corporate Environmental Awareness Campaign aims to make all Saipem staff around the world aware of key environmental issues. First launched in 2010, it focuses each year on specific topics associated with potential environmental impacts arising from Saipem's operations. The main themes are:

- Energy Saving
- Oil Spill Prevention
- Water Saving and Reuse
- Ecological Footprint Minimisation

The campaign puts forward clear messages in relation to each of these subjects, as well as models of behaviour for specific situations and innovative ideas and engagement tools targeted at improving the environmental attitude of all Saipem employees. In order to ensure correct implementation of these messages and models, information materials and guidelines are available in more than 10 languages.

The campaign avails of tools such as articles and alerts published on the Company's intranet portal, as well as newsletters, wall-posters, stickers and leaflets. Presentations are also made around Saipem bases and yards and in offices. The Saipem Corporate QHSE Department monitors the campaign's effectiveness and its implementation in operations. The most significant feedback from sites and projects is discussed in all Saipem branches worldwide, with a view to ensuring a comprehensive improvement in Saipem's environmental performance.

The goal is to enhance environmental awareness through the development and implementation of proactive initiatives.

In conjunction with World Environmental Day held on June 5, 2012, Saipem launched the final topic of its

Environmental Awareness Campaign: Ecological Footprint Minimisation. The key message of this subject, embodied in the slogan 'Reduce your Ecological Footprint! - You Can Make a Difference', aims to spur all staff, no one excluded, into respecting the environment during operations as an ongoing priority, 'because we want our steps to follow in the footprints of nature'.

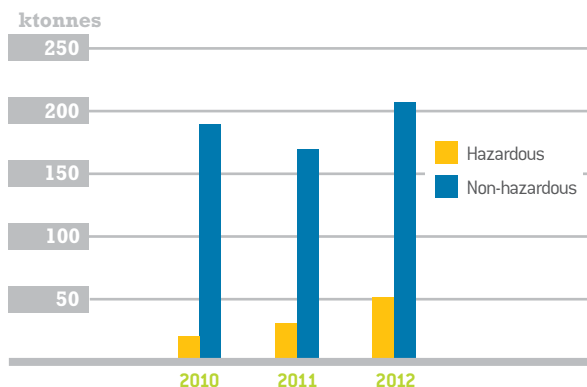
The term 'footprint' denotes the human impact on the planet in general, whereas 'ecological footprint' is used to define how much of the planet's biological capacity is required by any given human activity or population. In other words, the ecological footprint may be considered as the measure of human demands upon nature. As a concept it encompasses how much land and water area a human population requires to produce the resources it consumes and to absorb its carbon dioxide (CO₂) emissions using current technologies.

The campaign message has been broken down into two main actions:

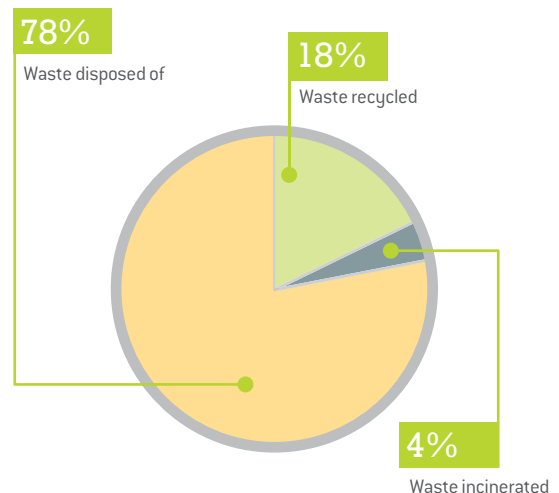
- Saving natural resources;
- Preventing pollution and reducing the ecological footprint.

In order to save natural resources, Saipem works to minimise environmental impact throughout the entire life cycle of operations. Identification of critical areas and promotion of effective initiatives for reducing environmental impacts means the Company has to monitor such areas as electricity, fuel consumption and waste production. To this end, the Corporate QHSE Department requires that reliable and traceable environmental data reporting be conducted on all sites and projects on a periodical basis.

WASTE PRODUCED



WASTE MANAGEMENT



FOCUS ON BRAZIL

Spreading Environmental Awareness



São Sebastião: Workforce Environmental Education programme

In 2012, Saipem do Brasil implemented several actions, targeted mainly at employees, to increase awareness of environmental issues.

One of these was PEAT (Programa de Educação Ambiental para os Trabalhadores), implemented on the São Sebastião premises. The objective was to involve the workforce in environmental initiatives during their daily activities. One campaign in particular was targeted at drivers and machine operators to make them more aware of the need to monitor fuel consumption carefully and thereby reduce greenhouse gas emissions to a minimum. Special training sessions and workshops were organised to convey this message. The campaign also included

extra maintenance measures to ensure improvements in engine performance, and a diesel engine smoke opacity measuring programme.

Guarujá: mobility management for workers

In Saipem do Brasil's new base in São Paulo state, located in Guarujá, an increasing number of employees get to the new facility using a free bus service. This shuttle runs along a route linking the points where most of the staff begin their journey to the workplace, such as residential areas and the ferry boat station. Employees can cut down on the use of private cars and help reduce traffic and pollution.

Furthermore, Saipem promotes initiatives aimed at increasing road safety for staff and locals using bicycles. Called 'Cyclist: be safe, be seen', the programme distributes lights and reflectors to those employees of Saipem and neighbouring businesses who use their bikes to come to work. Participants received free installation of the safety kit as well as safe cycling tips.

Rio de Janeiro: waste reduction

In the headquarters of Saipem do Brasil in Rio de Janeiro, 2012 saw staff continue their engagement in environmental programmes such as waste reduction, recycling, and use of reusable mugs and bottles to reduce the amount of plastic bottles consumed.

ISO AND OHSAS CERTIFICATIONS

In March 2012, ISO 14001 and OHSAS 18001 certifications were extended to include Saipem's Corporate activities and management of the Company's office buildings throughout Italy.

The third party audit was carried out by DNV (Det Norske Veritas) in the second half of March.

DNV especially noted 'the initiatives planned by the organisation to reduce CO₂ emissions by distributing aluminium bottles as an alternative to plastic bottles and its communication and awareness campaigns to reduce electricity and water consumption'.

Saipem SpA's certification consists of 2 Master certificates, one for the environment (ISO 14001) and one for occupational health and safety (OHSAS 18001), and 8 Child Certificates (also divided into 4 environmental and 4 workplace health and safety certificates). At present, the 8 Child Certificates cover:

- activities carried out by the Engineering & Construction Business Unit;
- activities carried out by the Integrated Projects (PRIN) Unit;
- corporate activities;
- management of the San Donato

Milanese headquarters and of office buildings throughout Italy. In addition, the Arbatax yard in Sardinia had its certified Environmental Management System renewed by DNV in 2012.

Nigeria: SCNL certifications

In November 2012, the re-certification audit of the HSE Management System of Saipem Contracting (Nigeria) Ltd – SCNL – was completed at the operational base of Rumuolumeni, Port Harcourt. The audit confirmed the system's adequacy and its compliance with ISO 14001:2004 and OHSAS 18001:2007.



Charles-Antoine Guiche, 'Bar protector in a diving operation', Nigeria

Joint Statement of Independent Experts

The Panel believes that Saipem's 2012 Sustainability Report highlights the material sustainability issues most relevant to the company and its stakeholders. The Panel finds the overall layout and presentation of the Report to be useful, addressing Saipem's key policies, giving examples of their application through cases, and providing perspective via the opinions of external stakeholders. However, the Panel notes that Saipem could improve the content of their reporting by adding information on governance transparency and quantitative data disclosure. Specifically, the Panel recommends that Saipem include reporting on supply chain sustainability themes considered at board level, decisions taken by executive management arising from investigations into possible corruption, guidelines used in implementing community initiatives, and hard summary data taken from HSE audits. These aspects would strengthen the robustness of Saipem's stated policies.

In this year's Report, Local Content has been distributed throughout as a theme rather than dedicated to an individual chapter. The Panel finds this change of direction disappointing, and notes that it may weaken the perceived importance of the topic. The Panel recommends that Saipem rededicate a chapter to the topic in addition to maintaining references throughout the report. In terms of report content, the Panel finds that Saipem is well-positioned to deliver on increasing government requirements for Local Content provisions given the company's extensive work in the area. The SELCE tool has been complemented with a Social Return on Investment approach to create a valuable evaluation of impacts which demonstrates Saipem's commitment to local development. The Panel considers this a leading industry practice. However, Saipem should publish information on each tool's methodology and calculation, and how it is used to optimise the delivery and impact of activities within their Local Content programs.

A continued feature of Saipem's Report is the presentation of case studies within each chapter. The Panel finds the cases bring the chapters to life and provide concrete summaries of Saipem's various country activities. Saipem could strengthen this presentation by providing clear criteria on case study selection, as those identified in the report appear to be Saipem's own locations and personnel. Further, the Panel strongly encourages Saipem to share negative issues and results in the case studies to demonstrate what the company has learned. In addition, the case studies cover only a small number of countries in which Saipem works and they should be augmented with quantitative data drawn from a larger number of Saipem's operating countries.

Overall, the Panel has a positive opinion on the steps Saipem has taken in its CSR approach. Saipem is setting a yardstick for the industry and distinguishing itself through efforts such as its world class externalities tools and its detailed vendor audits. Nevertheless, the Panel stresses that there remains room for improvement and urges Saipem not to fall into complacency.

Comment on Process

The Panel convened twice via teleconference and on other occasions by e-mail. The first meeting was held with Sustainability management from Saipem to discuss the company's approach to sustainable development and reporting, and the second only among the Panel to draft this statement. Both were facilitated by independent third-party BSR. While it was a time consuming exercise, we found the process to be efficient and allowed for a high level of quality. Our suggestions for process improvement include using secure social media to allow for exchange between Experts, and publishing the methodology for Expert selection, perhaps including a 3-year time limit for participation.

Our review did not include verification of performance data in the report, or the information on which the case studies in the report were based. In addition to the comments provided in the report, we were encouraged to provide separate observations on the company's sustainability performance. In recognition of our time and expertise an honorarium was offered, payable either individually or to our organisations.

Overview of the Panel of Experts

For the third year running, Saipem has submitted its sustainability report to an independent panel of experts composed of members of internationally renowned institutions and organisations who do not have any binding contracts or ongoing significant business with the Company.

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

The panel aims to represent Saipem's diverse stakeholder groups. As is done every year, it has been partially renewed by the replacement of two experts to meet the following criteria:

- **Geography:** experts must represent the major geographical areas in which Saipem operates, with a bias towards specialists with expertise in local and emerging markets.
- **Category:** experts must represent major stakeholder categories including civil society, industry associations and investors.
- **Profile:** experts must represent a mix of critical, advocacy-based stakeholders ('advocacy'), mainstream stakeholders ('mainstream') and expert stakeholders ('experts').
- **Stake (Interest):** experts must be able to provide perspectives relevant to the eight themes included in the Saipem Sustainability Report.

As independent specialists, panel members are required to express their own opinions, which do not necessarily represent those of the organisations for which they work. They analyse the full, final draft of the document and, for those sections falling within their specific fields of competence, provide comments on completeness, pertinence, key strengths, weaknesses and areas for improvement. As a new addition this year, panel members have also made a joint statement on the overall content of the report as well as on the commentary procedure itself.

To substantiate the objectivity and fairness of the expert panel, an external organisation, BSR (Business for Social Responsibility), was once again appointed to oversee the process. BSR undertook direct discussions with the panel, collated the expert commentaries and checked that they were inserted into this report without censorship or subjective editing. BSR also facilitated the discussion and drafting of the panel's joint statement. At Saipem's request, BSR gave the experts an ex gratia payment in recognition of the time dedicated to reviewing the report and providing constructive feedback.

Business for Social Responsibility (BSR)



BSR works with its global network of nearly 300 member companies to build a just and sustainable world. From its offices in Asia, Europe, and North and South America, BSR develops sustainable business strategies and solutions through consulting, research, and cross-sector collaboration.

Visit www.bsr.org for more information about BSR's more than 20 years of leadership in sustainability.

Graham G Baxter



Graham Baxter is an independent consultant based in London working with major international companies on sustainability challenges. He is a Senior Advisor at the International Business Leaders Forum which he joined in 2007 and led as acting CEO in 2010, where he focuses on Inclusive Business models and the Sustainability Leadership agendas. A graduate of both Oxford (Geology) and Liverpool Universities (Oceanography), Graham worked in the Oil&Gas sector for over 30 years mostly with BP plc. where his roles included geologist, commercial and strategy analyst, Business Manager in the North Sea and a gas adviser in the Global Gas business. In 1999, he joined BP Solar where he was initially Chief of Staff and then VP of Solar

Solutions. Moving in 2003 to BP Group HQ in London, Graham developed a comprehensive corporate responsibility framework for the organisation. As Vice-President, Corporate Responsibility, he was accountable for implementing the framework, managing international NGO and socially responsible investment relationships, as well as shaping community engagement and investment globally. During this period, Graham was also a founding Board member of the Extractive industries Transparency Initiative.

Ana Maria Esteves



Dr. Ana Maria Esteves is Director of Community Insights, a specialist consultancy firm to the mining and Oil&Gas sectors. She is also a Visiting Professor at the Faculty of Engineering, University of Strathclyde and Industry Fellow with the Centre for Social Responsibility in Mining at the University of Queensland. Ana Maria is currently based in the Netherlands and has worked in countries such as Italy, Finland, China, Mozambique, South Africa, Peru, Brazil, Chile and Australia, applying the following areas of expertise:

Local Content strategy and local supplier development; corporate-community investment and participatory social impact assessment. She serves on the Board of Directors of the International Association for Impact Assessment and on the mining governance panel of experts for AusAID's Australia-Africa Partnerships Facility. She holds an MBA from Melbourne Business School and a PhD (on how extractives can contribute to social development) from the University of Melbourne, Australia.

Khalid Ghozlani



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

Petter Matthews



Petter Matthews is a senior built environment international development specialist with more than 30 years' experience. He is Executive Director of Engineers Against Poverty (EAP), a specialist NGO working in the fields of engineering and international development. He is also the Executive Director of the Construction Sector Transparency (CoST) initiative, an international programme that promotes transparency and accountability in public sector infrastructure. Petter leads EAP's oil, gas and mining programme and has worked with international oil companies, services contractors, regulators and development banks. He has co-authored a number of publications on Local Content.

Stéphane Prévost



Stéphane Prévost is General Manager of an asset management company, which he created in 2007. The company aims to manage assets using a Socially Responsible Investment approach for European equity markets with a specialisation on growth stock picking. Prior to creating this company, Stéphane began his career in 1995 as a consultant on social business within the head office of the Caisse des Dépôts et Consignations. He became a financial analyst at France Active (Caisse des Dépôts group) before heading the department, and in 1998 took on the role of project manager and joined the team working on equity capital contributions for solidarity structures. In 2001, he joined Ixis Asset Management as European equity analyst and quickly became portfolio manager specialising in SRI. Stéphane holds a degree in accounting and corporate finance from the French business school of management ESC Dijon.

Methodology and Reporting Criteria

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

MULTI CHANNEL COMMUNICATION				
Communication Tools	Financial Stakeholders	Clients	Internal Stakeholders	Local Stakeholders
Saipem Sustainability 2012				
Addendum: Sustainability Performance				
Country & Project Reports				
Financial Statements 2012, Corporate Governance, Code of Ethics				
Annual leaflets, posters and internal newsletters				
Sustainability on the Web and interactive Reports				
iPad Application				

Reporting principles

‘Saipem Sustainability’ was established in order to provide complete, detailed information about the matters of greatest interest to the Company’s stakeholders. The following principles have been used to identify the contents of the document: materiality, stakeholder inclusiveness, sustainability context and completeness, as set out in Global Reporting Initiative (GRI) guideline version 3.0. To guarantee the quality of the information contained in the report, the principles of balance, comparability, accuracy, timeliness, clarity and reliability were followed, again as per GRI guidelines.

Materiality analysis

In 2012, a materiality analysis was run for the second year to identify the issues of greatest interest for both the Company and the stakeholders concerned.

The level of internal significance of the sustainability issues in relation to the matters being considered was outlined by the Sustainability Committee¹, in the light of Saipem’s principles and values, its business strategies and objectives and the competencies for which the Company stands out in its market sector.

The external level of interest was measured as follows: a benchmarking analysis relating to sustainability issues over a panel of 21 companies representing the Company’s major clients (Major and National Oil Companies with contracts running in 2012), monitoring of the requests and interests of the stakeholders expressed over the year under consideration, and an analysis of the frequency and relevance of the issues included in the questionnaires issued by financial analysts and rating agencies (SAM, Vigeo, Eiris, Goldman Sachs, La Financière Responsable).

To enable comparison of the results, the themes were grouped into 11 macro-categories. The materiality of the themes results from the intersection of the level of internal significance and the level of external interest.

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

The activities and programmes reviewed as 'material' for the individual themes were selected in the light of the sustainability context in which Saipem operates, with priority given to themes and geographical areas in which the Company has greatest impact. Furthermore, wherever possible, priority and relevance were given to quantitative performance measurements.

Materiality analysis results and report content

The most significant themes, which are Local Content, HSE, HR Management, Local Communities, Business Ethics and Innovation, form the basis of the present document in order to provide qualitative and quantitative information on the Company's sustainability performance.

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

Boundary of report

In order to facilitate reader comprehension of performance trends over time, Saipem Sustainability contains information on, and a description of, the sustainability initiatives and the performance indicators of Saipem SpA and all its subsidiaries, including any companies involved in joint ventures with it, for the period 2010-2012. As regards financial data, in accordance with the criteria adopted for the drafting of the Annual Report, the reporting scope also includes, on a line-by-line proportional basis, the data of subsidiaries and companies managed under joint operating agreements.

When financial data is not being disclosed, the operational criterion is adopted, which is to say that the Saipem Group reports 100% of operations in which Saipem SpA or one of its subsidiaries exercises operational control. For HSE data, non operating entities and subsidiaries that do not produce significant effects are not included in the reporting scope. In some cases, HSE indicators considered to be of particular importance for the business of the Company, for subcontractors and/or for vendors working on Company projects are encompassed. Exceptions to the above criteria are expressly indicated in the text, as are any changes made to the indicator calculation methodologies, without this in any way affecting the general commitment to maintain consistency in information and data reported.

Assurance Statement

Reporting was subject to limited assurance review by the same independent auditor used for the consolidated financial statements, for this document and for the 'Sustainability Performance' Addendum included in the Saipem Group Annual Report.

MATERIALITY ANALYSIS RESULTS



Assurance Statement



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Independent auditors' report on the limited assurance engagement of the "Saipem Sustainability" Report of Saipem Group as of 31st December 2012

To the Shareholders
of Saipem S.p.A.

1. We have carried out the limited assurance engagement of the "Saipem Sustainability" Report of Saipem Group (hereinafter "the Group") as of 31 December 2012. The Directors of Saipem S.p.A. are responsible for the preparation of the "Saipem Sustainability" Report in accordance with the reporting principles detailed in the paragraph "Methodology and Reporting Criteria", as well as for determining the Group's commitments regarding the sustainability performance and the reporting of achieved results. The Directors of Saipem S.p.A. are also responsible for the identification of stakeholders and of significant matters to report, as well as implementing and maintaining appropriate processes to manage and control internally data and disclosures indicated in the "Saipem Sustainability" Report. Our responsibility is to issue this report on the basis of the work performed.
2. Our work has been conducted in accordance with the principles and guidelines established by the "International Standard on Assurance Engagements 3000 - Assurance Engagements other than Audits or Reviews of Historical Financial Information" ("ISAE 3000"), issued by the International Auditing and Assurance Standards Board. This standard requires the compliance with ethical principles ("Code of Ethics for Professional Accountants" issued by the International Federation of Accountants - I.F.A.C.), including professional independence, as well as planning and executing our work in order to obtain a limited assurance, rather than a reasonable assurance, that the "Saipem Sustainability" Report is free from material misstatements. A limited assurance engagement of the "Saipem Sustainability" Report consists in making inquiries, primarily with company's personnel responsible for the preparation of information included in the "Saipem Sustainability" Report, in the analysis of the "Saipem Sustainability" Report and in other procedures in order to obtain evidences considered appropriate. The procedures performed are summarized below:
 - a. comparison between the economic and financial information and data included in the "Saipem Sustainability" Report with those included in the Group consolidated financial statements as of 31 December 2012, on which we issued our auditor's report on 3rd April 2013, pursuant to art. 14 and 16 of Legislative Decree n. 39 dated 27th January 2010;
 - b. analysis of processes that support the generation, recording and management of the quantitative data presented in the "Saipem Sustainability" Report. In particular, we have carried out the following procedures:
 - interviews and discussions with Saipem S.p.A.'s management to obtain an understanding about the information, accounting and reporting system in use for the preparation of the "Saipem Sustainability" Report as well as of the internal control processes and procedures supporting the collection, aggregation, processing and transmission of data and information to the department responsible for the preparation of the "Saipem Sustainability" Report;

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- interviews and discussions with Ersai Caspian Contractor LLC's personnel carried out in Aktau (Kazakhstan) and on-site verifications at operations in Kuryk (Kazakhstan);
 - analysis on a sample basis of the documentation supporting the preparation of the "Saipem Sustainability" Report, in order to obtain evidences of the processes in use, their adequacy and the operation of the internal control system for the correct treatment of data and information in relation to the objectives described in the "Saipem Sustainability" Report;
- c. analysis, on a sample basis, of the compliance of the qualitative information included in the "Saipem Sustainability" Report with the guidelines identified in paragraph 1 of this report and of their internal consistency, with particular reference to the strategy, the sustainability policies and the identification of the significant matters for any category of stakeholders;
- d. analysis of the process relating to the engagement of stakeholders, with reference to the procedures applied;
- e. obtaining of the representation letter, signed by the legal representative of Saipem S.p.A., relating to the compliance of the "Saipem Sustainability" Report with the guidelines indicated in paragraph 1, as well as to the reliability and completeness of information and data presented in the "Saipem Sustainability" Report.

No procedures have been performed on data and information reported in the section "Sustainability as value generator" of the "Saipem Sustainability" Report.

A limited assurance engagement is substantially less in scope than a reasonable assurance engagement performed in accordance with ISAE 3000 and consequently we may not have become aware of all the significant events and circumstances which we could have identified had we performed a reasonable assurance engagement.

With respect to the data and information relating to the prior year, presented for comparative purposes, reference should be made to our report issued on 28th March 2012.

3. Based on our work, nothing has come to our attention that causes us to believe that the "Saipem Sustainability" Report of the Saipem Group as of 31st December 2012 is not in compliance, in all material respects, with the reporting principles stated in the paragraph "Methodology and Reporting Criteria".

Milan, April 3, 2013

Reconta Ernst & Young S.p.A.

Pietro Carjona
(Partner)

More on Saipem

Reports and publications:



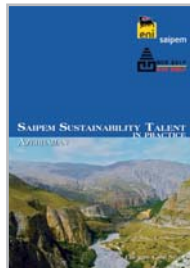
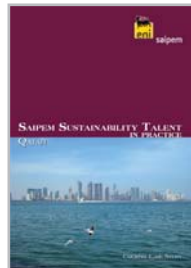
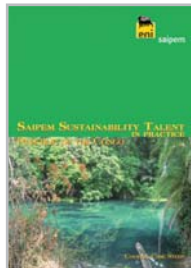
Annual Report:

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



Addendum: Sustainability Performance

details of Saipem's sustainability performance over the year



Sustainability Country Report and Project Report:

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



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

www.saipem.com

You can order Saipem's printed publications or request more information by writing to:

investor.relations@saipem.com
for financial information

segreteria.societaria@saipem.com
for corporate information

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for sustainability information

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saipem

saipem Società per Azioni

Share capital: €441,410,900 fully paid up

Tax identification and Milan Companies' Register

No. 00825790157

Feedback

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

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

You can leave your comments by sending us an email to sustainability@saipem.com or else insert them directly on the form included in the Interactive Report which can be accessed via www.saipem.com.

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