

# saipem sustainability 2013



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

'Saipem Sustainability 2013' is one of the main instruments used by Saipem to engage in a transparent manner with its stakeholders regarding the important sustainability themes that characterise our business. Saipem has always been committed to creating long-term value and to sharing it with clients, commercial partners, vendors and local communities with a view to achieving common objectives.

The year that has just closed was, without doubt, difficult. In 2013 we had to face highly complex challenges, market conditions and important events, including negative ones, which influenced our overall performance. Execution of several significant projects was affected by unforeseen difficulties, but we dug deep into our resources and focused consistently on achieving good operational performances and on working hard to find solutions and measures that I am sure will bear fruit in the near future.

But 2013 was also a year of change. The Company underwent a noteworthy reorganisation process in order to equip itself with a structure that was more in line with its business strategy and more efficient in terms of business transparency and ethics, risk management, innovation, communications with external stakeholders and, finally, quality.

As regards other issues which have always been a priority for the Company, Saipem has not changed its approach – on the contrary, we have renewed our commitment.

First among these is undoubtedly safety, a mandatory component of our *modus operandi*. Over the past few years we have invested (and will continue to invest) huge resources and put enormous efforts into promoting both a safety culture and the training required to achieve it, including ongoing implementation and development of the 'Leadership In Health and Safety' programme. Indeed, Saipem now has one of the lowest incidences of workplace accidents in the Oil&Gas industry.

Despite this, in 2013 six of our colleagues unfortunately lost their lives. For Saipem, this is unacceptable and we will continue in our efforts to reach the only target pursuable: *zero fatalities*.

Another fundamental topic discussed in this document is Saipem people, one of the Company's key resources. Continuous training for the updating and development of their skills is vital, as is the protection of their health and the prevention of risks associated with their tasks, all factors which facilitate the Company's efforts to face market challenges and achieve its business objectives. A third crucial theme is reinforcement of our control and compliance system. This endeavour has involved all levels of the Company, not solely when the initiatives needing to be undertaken were identified, but also during the phase of their concrete application.

All of this has led to:

- i) a reorganisation of many Company functions (i.e. the E&C BU, the structure of the Chief Financial and Compliance Officer, Internal Audit and Quality);
- ii) the creation of new structures (i.e. External Communications, the Executive Committee, the

- Technical Committee, the Compliance Committee, the Risk Committee and Integrated Risk Management);
- iii) the reshuffling of a number of senior managers;
- iv) a renewed management process (verification of the process for conferring powers and the appointment of process owners);
- v) the drafting of new criteria for the governance of foreign companies and their compliance committees;
- vi) the issuing or review of numerous Company procedures (i.e. the Regulatory System MSG, the Compliance MSG, etc.).

All of these reinforcements aim to ensure ongoing alignment with best practices, greater traceability of decisions taken and, therefore, greater awareness and accountability of the persons involved.

The fourth and final theme I would like to touch upon, but not the least in terms of importance, is Local Content, a strategy that sets us apart from our competitors and one that ensures our licence to operate in various parts of the world. Studies carried out by Saipem using the Saipem Externalities Local Content Evaluation Model (SELCE) and, subsequently, on the economic and social value generated by our strategy, provide figures showing the contribution the Company is capable of making to the development of the areas in which it operates and, indeed, to the economy of entire countries.

In this regard, 'Saipem Sustainability 2013' describes our efforts country by country and project by project, and highlights the results the Company has achieved at a variety of levels.

For the fourth consecutive year, the document has been commented upon by a Panel of independent experts. Not only do these provide an objective assessment of our reporting methods and our ability to communicate programmes, actions and results, they also make suggestions for improvements. In 2013, the Panel was invited to our headquarters in San Donato Milanese where they took part in a workshop involving members of the various Saipem functions, in order to discuss the Company's approach to sustainability and identify issues deemed to be material for inclusion and discussion in 'Saipem Sustainability 2013'. The experts acknowledged this initiative as brave and innovative and expressed their appreciation for our openness to dialogue, something Saipem is committed to renewing in the future. The comments and input of Panel members expressed during the above event were subsequently taken into consideration during the drafting of this document. I am convinced, therefore, that 'Saipem Sustainability 2013' shows the degree to which sustainability is an integral part of our business and our organisation and that it provides an efficient overview of the factors that will continue to create future value for Saipem, for our stakeholders and for the areas and communities in which we will operate.

**Umberto Vergine**  
Saipem CEO



# saipem sustainability 2013

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## **Developing long-term competitiveness**

Describes the main changes within society, key projects and investments, and future outlooks.

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Describes how Saipem transforms its commitment to Local Content into concrete actions and how the Company assesses the value generated.

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## **Competency as a business driver**

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Describes Saipem's approach to managing and minimising environmental impacts with a strong focus on the main actions performed in the reporting year.

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For the first time, an expert panel gives suggestions to improve the sustainability reporting process and for the fourth year running provides its comments on Saipem's sustainability documents.

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## **Methodology and Reporting Criteria**

Reporting Principles and Criteria can be found at the end of the document along with a complete overview of the sustainability communication tools adopted by Saipem.

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## **More on Saipem**



The photographs included in this Report are mainly the work of Saipem employees who took part in an in-house Sustainability competition.

# Saipem at a glance

## FRANCE

Saipem operates in France through the companies Saipem SA and Sofresid sa. Its main operations are in 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 **1,932** employees, of whom **97%** local.

 *Workshop for Supervisors p. 39, Safety Campaign p. 55*

## CANADA

Saipem is present in Canada with **2,181** employees, of whom **93%** local. The Company operates locally via Snamprogetti Canada Inc and Construction Saipem Canada Inc. The main activities are Onshore and Drilling.

 *Edmonton Yard p. 21, Aboriginal Communities p. 25*

## MEXICO

Saipem is present in Mexico through Saipem Services Mexico SA and Saimexicana SA. At the end of 2013, the Group had **2,680** employees, of whom **89%** local. The Company operates mainly in the Offshore and Onshore sectors.

 *Business p. 19, Training Course p. 24*

## COLOMBIA

Saipem has **325** employees in Colombia, of whom **97%** local. Saipem operates primarily through Petrex SA, whose activities relate mainly to Onshore Drilling. In 2013, the Puerto Nuevo project was carried out by Saipem SA.

 *Local Communities p. 48 and p. 49*

## VENEZUELA

Saipem is present in Venezuela with **2,555** employees, of whom **91%** local. It operates mainly in the Offshore and Drilling sectors through Petrex SA.

 *Local Content p. 23 and p. 28*

## PERU

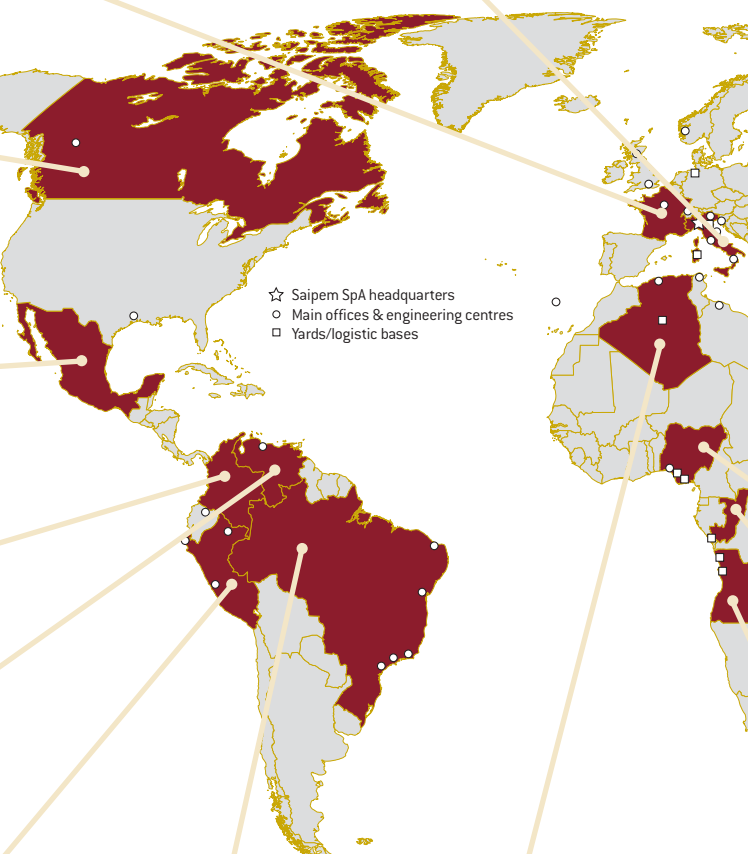
Saipem has been present in Peru since 1983 and has **1,480** employees, of whom **97%** local. Currently, the Company operates through Petrex SA in the Drilling sector.

 *Local Communities p. 45 and p. 48*

## ITALY


Saipem is present in Italy not just through the Parent Company but also through Servizi Energia Italia SpA, Consorzio Sapro and Snamprogetti Chiyoda sas. It principally operates in the Onshore, Offshore and Drilling sectors.

 *HSE Protocol p. 54*



## BRAZIL

Saipem's presence in Brazil began in 2002. The Company has **1,115** employees, of whom **78%** local. Saipem operates via Saipem do Brasil Serviços de Petroleo Ltda. The main activities are Offshore and Drilling. A new fabrication yard in Guarujá is also currently under construction.

 *Local Content p. 24, Market Scouting p. 27, People Management p. 40, Engagement p. 44*

## ALGERIA

Saipem has been present in Algeria since the early 1950s. In 2013, the Company had **802** employees, of whom **70%** local. Saipem's operating companies are Saipem Contracting Algérie SpA and Saipem SpA Algerian Branch. Its main business is in the Onshore, Offshore and Drilling sectors.

 *QHSE Master p. 35*

### KAZAKHSTAN

Saipem has been present in Kazakhstan since 1995 and at year end 2013 had **2,559** employees, of whom **68%** are Kazakh. Saipem operates locally through Saipem Kazakhstan Branch and ER SAI Caspian Contractor LLC. These companies operate mainly in the Offshore, Onshore and Drilling sectors.

 Training p. 36, Engagement p. 44, Education p. 46

### SAUDI ARABIA

Saipem has been present in Saudi Arabia for more than 30 years with Saipem Taqa Al Rushaid (STAR), Snamprogetti E&C Co Ltd, Saudi Arabian Saipem Co Ltd and Snamprogetti Saudi Arabia Co Ltd. In 2013, there were **5,473** employees, of whom **85%** local.

 SELCE p. 30

### UNITED ARAB EMIRATES

Saipem is present in the United Arab Emirates with **2,972** employees, of whom **78%** local. Saipem operates mainly in the Drilling and Onshore sectors. One of the key projects Saipem is currently working on in the UAE is the Shah Gas Development project.

 Biodiversity p. 64


### INDONESIA

Saipem has been operating in Indonesia since the mid-1980s and has **2,006** employees, of whom **90%** 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 Offshore and Drilling.

 SELCE p. 31


### AUSTRALIA

Saipem is present in Australia through Saipem Australia Pty Ltd and Saipem (Portugal) Comércio Marítimo Sociedade Unipessoal Lda. At year end 2013, there were **958** employees, of whom **91%** local. The Company operates mainly in the Offshore and Onshore sectors.

 SELCE p. 30, Ecosystem Services p. 65


### CONGO

Saipem has been active in the Congo since 1975. Today it has **495** employees, of whom **47%** local. There are also **1,014** 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.

 Education p. 37, Health Promotion p. 49, 56 and 58


### ANGOLA

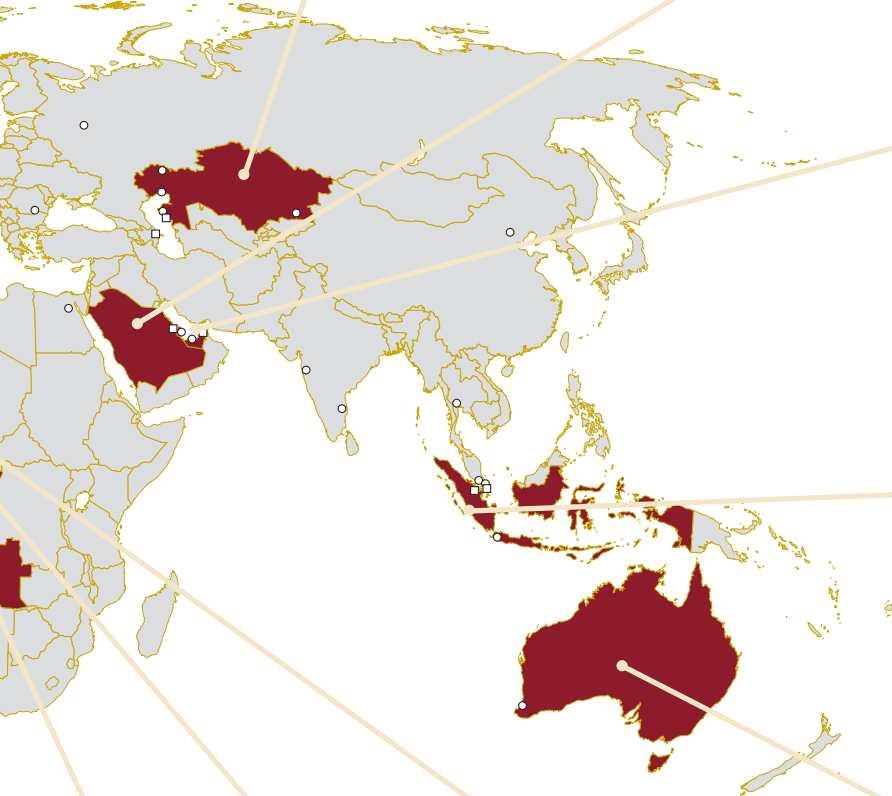
Saipem has been operating in Angola since 1982 and today has **3,207** employees, of whom **44%** local. **1,969** local people are also employed through temporary employment agencies. Saipem operates through Saipem SpA Angolan Branch, Saipem SA Angolan Branch, Petromar Lda, Kwanda Suporte Logistico Lda and Sagio - Companhia Angolana de Gestao de Instalacao Offshore Lda. The main activities are Offshore Drilling and Onshore and Offshore E&C.

 Training Centre p. 33, Safety Culture p. 43, Malaria Prevention p. 58

### NIGERIA

Saipem has been present in Nigeria since the mid-1960s. It has **4,723** employees, of whom **71%** local. Saipem operates through Saipem Contracting (Nigeria) Ltd and Saipem (Nigeria) Ltd, mainly in the Offshore, Onshore and Drilling sectors.

 Egina Project p. 17, Local Vendors p. 26, SELCE p. 29, Training Programme p. 34, Empowerment of Women p. 50, HSE Forum p. 54, Malaria Prevention p. 58



## 2013 in numbers

### Shared Value

**77%**

PERCENTAGE OF LOCAL EMPLOYEES

**43%**

PERCENTAGE OF LOCAL MANAGERS

**51%**

PERCENTAGE OF GOODS AND SERVICES ORDERED LOCALLY

**€2 mln**

TOTAL AMOUNT SPENT ON SUSTAINABLE COMMUNITY INITIATIVES

### HSE

**1.15**

TOTAL RECORDABLE INCIDENT FREQUENCY RATE

**413**

LEADERSHIP IN HEALTH AND SAFETY EVENTS PERFORMED

**23**

CHOOSE LIFE EVENTS ORGANISED

**4**

ENERGY ASSESSMENTS

### People and vendors

**52,157**

TOTAL NUMBER OF EMPLOYEES

**22,411**

EMPLOYEES COVERED BY PERFORMANCE EVALUATION TOOLS

**2.6**

MILLION TRAINING MAN-HOURS<sup>1</sup>

**24**

TARGETED LABOUR RIGHTS AUDITS

## Main Objectives for 2014

### Reinforce activities targeted at maximisation of Local Content

- Improve SELCE, Saipem's Local Content value assessment model.
- Increase the presence of local personnel at all levels of the organisation.
- Contribute to the sustainable development of local communities in the areas where Saipem operates in a win-win interaction and improve proactive engagement with stakeholders.

### Persevere in the improvement of frequency indexes and implementation of proactive projects

- Total Recordable Incident Frequency Rate (min 1.32, med 1.21, max 1.10)<sup>2</sup>.
- Implement the pilot programme 'We want zero' in order to eliminate fatal accidents (min in 1 site, med in 2 sites, max in 4 sites)<sup>2</sup>.

### Promote and reinforce a culture of integrity within the organisation

- Get senior managers to participate in an internal survey on business ethics (min 60%, med 70%, max 80%)<sup>2</sup>.
- Carry out audits on vendors in relation to workplace principles and rights (min 12, med 18, max 24)<sup>2</sup>.
- Deliver training on human rights to security personnel.

### Improve efficiency of Company assets and management processes on operating projects

- Perform Energy assessments (min 3, med 4, max 5)<sup>2</sup>.

[1] Out of a total of 2.6 million training man-hours, 0.78 million were delivered to subcontractors on HSE themes.

[2] Minimum, medium and maximum attainment levels are defined for objectives.



# Stakeholder engagement

Identification of stakeholders and understanding their needs and expectations is an essential and necessary step for defining an effective engagement strategy in each place where Saipem operates.

## Financial stakeholders

- 17 road shows;
- 5 international investor conferences and events;
- Direct interaction with EIRIS, VIGEO, la Financière de l'Echiquier, Global Sustainability Rating and Storebrand;
- Participation in the Carbon Disclosure Project (CDP).  
*See pages 10-21 for further information*

## Local Communities

- Public hearing in Kazakhstan;
- Memoranda of Understanding (MoU) in Nigeria, including periodical meetings with community representatives;
- Initiatives to support community development in the Congo, Angola, Nigeria, Colombia, Kazakhstan, Brazil, Peru, Venezuela, etc.  
*See pages 29-31 and 42-51 for further information*

## Local organisations and NGOs

- Continuation of cooperation with the NGO Eurasia Foundation of Central Asia (EFCA) in Kazakhstan for a community initiative on education;
- Continuation of cooperation with Junior Achievement Azerbaijan (JAA) for education targeted at university students;
- Cooperation with local environmental NGOs for awareness campaigns in Colombia.  
*See pages 36-37, 42-51 and 60-65 for further information*

## Clients

- 71 satisfaction surveys;
- Direct meetings with 9 clients in South America, Canada, Saudi Arabia, Australia and Azerbaijan on sustainability issues;
- Cooperation with Qatar Petroleum in the Sustainable Development Industry (SDI) Reporting Qatar;
- Regular meetings on project sustainability issues.  
*See pages 17-21, 29-31, 36-37, 53 and 63 for further information*



## Governments and local authorities

- Continuation of cooperation with the Municipality of Guarujá in Brazil under the 'Declaration of Intent';
- Memoranda of Understanding (MoU) in Nigeria;
- Cooperation with the Ministry of Health in the Congo, Angola and Nigeria for malaria awareness campaigns;
- Cooperation with universities in Kazakhstan, Italy, Azerbaijan, Algeria, etc.  
*See pages 35-36, 38, 42-51, 56-58 and 60-65 for further information*

## Employees

- 'Share and Shape': young resources engagement event;
- Results of the middle manager and white collar satisfaction survey;
- Continuation of cooperation with educational institutions such as IMCO (International Maritime College Oman), the University of Science and Technology of Oran (Algeria), Senai (Brazil) and the University of Karaganda (Kazakhstan);
- Personnel engagement and training activities on sustainability themes;
- Meetings and workshops on sustainability targeted at managerial positions.  
*See pages 22-25, 32-39, 52-59 and 60-65 for further information*

## Vendors

- Periodic meetings with vendors with strategic agreements;
- Meetings with Corporate vendors in strategic and critical classes mainly focusing on frame agreement campaigns;
- Audits on social responsibility at vendor sites;
- Forums for local vendors in Venezuela, Nigeria, Brazil and Colombia;
- Training activities organised for local vendors in Azerbaijan and Nigeria;
- Support for aboriginal companies in Canada and Australia;
- Engagement of local vendors to participate and support community initiatives in Kazakhstan.  
*See pages 26-28 and 53-54 for further information*

## A proactive engagement with the Expert Stakeholder Panel

A meeting with the Expert Stakeholder Panel was organised on October 21, 2013 at Saipem's headquarters. The aim was to give the Panel the opportunity to meet with Saipem's business leaders and to discuss strategy and materiality prior to the drafting of the 2013 Sustainability Report. It was a unique opportunity for the Panel members to learn about Saipem's reporting processes and the challenges the Company faces, and to provide the management team with constructive and thought-provoking feedback on Saipem's reporting approach. The meeting was opened with a welcoming address by Saipem's CEO, Mr. Umberto Vergine, followed by an introduction to Saipem delivered by the then Deputy CEO, Mr. Hugh O'Donnell.

*I appreciated the opportunity to interact directly with Saipem management and process owners, and I see this as a pioneering and courageous initiative by Saipem.*

*Saipem has a robust sustainability reporting strategy and programme on the whole, but its quality is not being transmitted through the current report.*

*I would suggest a change to the approach in content (granularity of issues) and structure (explaining the reporting landscape, selection process) to improve the impact and relevance of reporting.*

*Continue including internal departments in this process to build confidence in Saipem Sustainability's decision-making.*

*It is important to set and measure toward clear sustainability goals and show year on year trends.*

# Joint Statement of Independent Experts

The Panel believes that Saipem's 2013 Sustainability Report, like its predecessors, provides useful information on Saipem's sustainability performance that is of relevance to its stakeholders. The Panel finds the overall design and layout adequate for the purpose and welcomes that Saipem heeded the 2012 Panel's recommendation to re-establish a dedicated chapter on Local Content. Thematically, the Panel commends Saipem for rightly identifying Human Rights as a significant issue, and the inclusion of several notable achievements deserves credit. The Panel would expect future reporting to more explicitly relate to the United Nations' Guiding Principles on Business and Human Rights that today must be considered the benchmark for a business approach to human rights. The panel also praises Saipem for its industry-leading SELCE tool, which remains a world class approach to assessing the local economic and social impacts comprehensively covered in the Report. However, the Report would benefit from a number of structural changes. The Panel would welcome a more concise report focused on issues most material to Saipem. For instance, on sections such as staff development or partnerships with local stakeholders, reducing the discourse to only key details and drafting the 'Focus On' sections to illustrate clearly related examples of impact. This requires rethinking Saipem's materiality methodology and re-assessing the level of detail provided per issue. A strategic sustainability framework introduction to the Report would enable Saipem to articulate the key areas where it has made significant progress and where it demonstrates clear leadership. For instance, the Panel notes that performance areas such as Competency and People Management, Supply Chain and Human Rights could benefit from explicit cross-referencing to other supporting documents in order to make it easier for readers to find complementary information on these topics. The Report could also be strengthened by reworking the balance between qualitative and quantitative reporting,

providing clearer targets and key performance indicators directly alongside the current narrative. Finally, the Report would benefit from a more even representation of positive and negative performance; for example, being more forthcoming with the challenges faced in resolving 2012's corruption investigation and addressing any remaining challenges for Saipem in 2014.

These examples highlight the Panel's underlying comment regarding the 2013 Sustainability Report. It is clear that Saipem remains committed to advancing its sustainability performance, and the Company demonstrates leadership in many areas, but the Report could be structured around a greater emphasis of most material issues in order to positively demonstrate this performance to stakeholders.

## Comment on Process

The Panel convened three times, once via an in-person meeting and twice via teleconference. The meeting was held in Saipem's headquarters with representatives from top management and main corporate functions to discuss the Company's sustainability strategy, material issues and reporting process, while the teleconferences were conducted only among the Panel to guarantee the independent nature of this statement. Additional contacts were carried out on other occasions by e-mail. The engagement process with the Experts was facilitated and conducted by an independent third-party, BSR [Business for Social Responsibility]. The expert review did not include verification of the performance data included in the Report, or the information on which the case studies in the Report were based. In addition to the above joint statement, Experts have provided separate comments on cross-sectional topics (see page 66). In recognition of their time and expertise, an honorarium was offered to the Experts or to their choice of charitable organisation.



**Stéphane  
Prévost**



**Graham  
Baxter**



**Louis  
Guay**



**Paul  
Holleson**



**Emma  
Wilson**





















Alessandro Arigliani, 'Between the blues', Norway

## How to read this report

This Report describes the most materially significant topics for Saipem and its internal and external stakeholders. It aims to provide an overall view of Saipem's business and the challenges the Company faces. More details on content definition are given on page 70 in the 'Methodology' section.

This document is an integral part of Saipem's 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. The following graph lists Saipem's communication tools and specifies to which stakeholders they are addressed.

MULTI CHANNEL COMMUNICATION				
Communication Tools	Financial Stakeholders	Clients	Internal Stakeholders	Local Stakeholders
Saipem Sustainability 2013				
Addendum: Sustainability Performance				
Country & Project Reports				
2013 Financial Statements, Corporate Governance Report, Code of Ethics				
Annual leaflets, posters and internal newsletters				
Sustainability on the Web and interactive Reports				
iPad Application				

Additional information can be found:

- in the **Addendum** attached to the 2013 Annual Report. This details Saipem's sustainability performance for the year and provides several quantitative indicators for the three-year period 2011-2013;
- on Saipem's corporate **website** ([www.saipem.com](http://www.saipem.com)), in the **iPad Application** and in the **Saipem Interactive Report** which contains specific sections focusing on sustainability related topics;
- in **Country and Project Reports**, which Saipem has published since 2003 and which it periodically updates. These focus 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.

# Developing long-term competitiveness

**Saipem is an internationally oriented company. On account of its size and the importance of its activities, it 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. Saipem's Business Model is based on the delivery of new, innovative and complex solutions utilising a globally integrated network of skills and assets.**

## Strengthening of the internal control and risk management system, and of the corporate governance and business management system

The gradual changes in Saipem's risk profile and the consequent modifications made to the Company's system of internal controls reflect the characteristics and complexity of Saipem's business activities. In 2012 and 2013, the Risk and Control Committee, together with the Board of Statutory Auditors, commissioned a review by an independent consultant of the structure in place for oversight of the Saipem Internal Control and Risk Management System in terms of compliance with the Corporate Governance Code. The review showed that the oversight structure adopted by Saipem is in line with the provisions of the Code in relation to internal control and risk management requirements. In order to improve the internal control and risk management system and corporate governance, several changes were made during 2013. The main changes made and their objectives were as follows:

- **Strengthening of the Risk and Internal Control Management System through the review of processes of risk management and the creation of organisational structures and committees.**
- **Strengthening of the system of internal powers and responsibilities, with the procedures governing the system updated on the basis of a review of the processes used to assign powers and designate process owners for the Company, its overseas branches and its subsidiaries.**
- **Reorganisation and reshuffling in a number of managerial departments.**

The following committees were created in order to enhance the Company's governance system and to ensure adequate controls over critical and/or significant activities and contents:

- The Executive Committee, composed of Saipem Top Managers, whose objective is to advise the Chief Executive Officer on the steering, coordination and control of key business decisions and relevant or critical aspects (e.g. reviews of business operating performance or the Company's economic and financial performance).
- The Risk Committee, responsible for providing opinions concerning the design of the Internal Control and Risk Management System and advising in terms of identifying the main risks the Company faces.
- The Regulatory System Compliance Committee and the Regulatory System Technical Committee, whose job it is to verify systematically that the Company's regulatory systems are consistent with the compliance and governance models.
- The Crisis Committee, established in order to guarantee coordinated and integrated management of all operative and environmental crisis situations that could significantly impact on Saipem's activities, on employee health and safety and on the environment.

As part of the process of improving governance, additional organisational initiatives were implemented to strengthen

2013 was a difficult year for Saipem, one which required activity on many fronts to restore the efficiency and competitiveness of the business. Our priority was to take actions to tackle structural problems and to stabilise Engineering & Construction activities by addressing a fundamental series of legacy issues. The Drilling business continued to provide consistently strong returns. 2014 will be a transition year in which a significant proportion of Engineering & Construction activities will stem from low-margin legacy contracts.

*Umberto Vergine, Saipem Chief Executive Officer*

the Internal Control and Risk Management System, including a review of the Regulatory System and the System of Internal Powers. In relation to the former, the relevant Management System Guideline document underwent review and was re-issued with the aim of establishing a process-based system which:

- Emphasises the responsibilities of Process Owners.
- Promotes greater integration of the main compliance principles into the processes.
- Safeguards the operational autonomy of Saipem companies.
- Redefines Corporate's role of steering, coordination and control.

With regard to the System of Internal Powers, the process

for conferring powers and proxies was examined and improved, while the relevant procedure was reviewed and re-issued. Finally, the Authorisation Matrix used for Saipem SpA and its branches – a tool for the governance of the main Company processes/activities and/or those considered most sensitive – was updated and re-issued, while the matrices used in subsidiaries and their branches were re-aligned, with standard powers and economic limits set for the various organisational positions commensurate with the dimensions and complexity of the entities in question.



More detailed information on the internal controls and risk management system can be found in the Corporate Governance and Shareholding Structure Report and in the Directors' Report 2013.

## ACCIDENT ON THE PERRO NEGRO 6

On July 1, 2013, at 8:15 p.m. near the mouth of the Congo River offshore Angola, the mobile offshore drilling unit (or jack-up) Perro Negro 6 punched through a layer of clay sediments approximately 9 metres below the sea floor whilst undertaking preloading procedures (leg positioning and embedding in the sea bottom to lift the hull and the rig). The rig sustained considerable damage to its three legs, as a result of which the decision was taken to evacuate all personnel. During evacuation, one person was reported missing and 6 injured.

### Emergency management

The alarm was raised immediately and the emergency procedure activated to ensure full evacuation. The investigation found evidence that, during abandonment of the rig, people reacted professionally and the evacuation was conducted with success. Perro Negro 6 management left the rig only once it became clear that stability could not be recovered and that remaining on board posed too great a risk. All personnel interviewed expressed their appreciation of the emergency management capabilities of the Master, Rig Superintendent and Safety Officer. The necessary logistic arrangements were promptly made for rig personnel at Kwanda Base and Luanda. Psychological support was provided at home for all personnel who accepted the offer of help.

*'We should emphasise that leaders and management on board the Perro Negro 6 handled the emergency in an exemplary fashion. We must sincerely thank them for what they did, otherwise the consequences would have been much more serious'.*

*Egidio Palliotta, Executive Vice President, Drilling Business Unit*

### Short-term actions

Search operations for the missing colleague continued until July 7 with no results. The Saipem Emergency Response Team was mobilised and worked closely with the Angolan authorities and the Client's operational team. Actions were taken to provide assistance to all Perro Negro 6 personnel, including suitable accommodation and clothing. The medical situation of all evacuated personnel was assessed and the injured workers were transferred to the hospital in Luanda for treatment. Spilled pollutants and dispersed debris have been continuously monitored and acted upon. A specialist company was mobilised to collect and dispose of the majority of pollutants present on board at the time of the accident with a view to preventing any spills into the marine environment. Operations took place during the month of September. All major inventories of pollutants were recovered, with the exception of approximately 100 m<sup>3</sup> of vegetal synthetic oil that was probably dispersed through the tank's vent lines. Recovery of the remaining minor inventories is planned for 2014 in

conjunction with operations for recovery of the wreck for subsequent disposal.

### Causes of the accident

A thorough investigation was carried out to analyse the root causes of the accident, verify management of the emergency, extract lessons learnt and propose remedial actions. The primary cause identified was the sudden penetration or 'punch through' of the clay sediment layer located 9 metres below the sea floor. As a result of this, the rig rapidly tilted to the starboard side and into the water. This movement caused a huge wave to flood the main deck from the starboard side. A second tilt occurred following the stabilisation movement, leading to damage of the rig structure, since the three legs had been impacted.

### Medium-term actions

Saipem has implemented a training programme to develop the competency of personnel in rig move procedures. In 2014 a dedicated workshop will be organised to train and certify personnel in this regard. Particular attention has been paid to improving communications between all parties involved in critical operations, and measures will be taken to guarantee proper documentation and information flows during their planning and execution. Finally, a revision of operational documents will be carried out in order to ensure clearer definition of responsibilities and accountability of personnel during rig move operations.

## Integrated Risk Management

Saipem understands the central role played in decision-making processes by the identification, assessment and control of risk. On the basis of the 'Principles of Integrated Risk Management' approved by the Board of Directors in July 2013, Saipem therefore developed and implemented a model for the integrated management of Company risks. This is now an integral part of the Risk and Internal Control Management System. The new model underscores the Company's commitment to a more organic and concise vision of the risks to which it is exposed, greater consistency of methodologies and tools to support risk management, and strengthening of awareness at all levels of the positive impact that an appropriate assessment and management of risks of various types can have on the achievement of objectives and on the Company's value.

The model contains a system of Risk Governance, which defines roles, responsibilities and information flows for the management of the main risks and describes the risk management process, in particular its guidelines for risk management, assessment and handling (how to avoid, accept, reduce and share risk), monitoring and reporting. The risk mapping process commenced at Corporate level in 2013 and will be extended to include another 12 companies in the Saipem Group. The project has seen the realisation of ad hoc Business Cases to support risk

owners in their efforts to achieve the most accurate and objective risk assessment possible of the causes of risks and their potential correlation, so as to weigh up the best risk handling strategies to implement.

In compliance with the Integrated Risk Management process, and following completion of the first cycle of risk assessment (during which the mechanisms for the functioning of the new Integrated Risk Management process were finalised), on December 23, 2013 the CEO submitted details of the main risks Saipem faces to the Board of Directors.

The main industrial risks identified concern operational HSE risks (accidents, malfunctions, breakdowns, damage to people and to the environment), country risks (political, social and economic in countries where Saipem operates or intends to invest), and specific project risks (mainly regarding onshore and offshore EPC(I) contracts, from commercial to execution phase).

The HSE risk control system encompasses management of operations that ensures maximum efficiency in the prevention, handling and control of risks and is based on periodical monitoring (quarterly, half-yearly and yearly) of HSE indicators and on a structured auditing plan for all sites.



More detailed information on the internal controls and risk management system can be found in the Corporate Governance and Shareholding Structure Report and in the Directors' Report 2013.

## The Integrated Risk Management (IRM) Model

### Objective

To support top management in achieving increasingly effective **identification and control of the main risks** and related processing measures

### Aims

**Greater consistency** of risk management tools in Company processes

- Development and diffusion of risk management practices at process level targeted at ensuring greater uniformity in the management and control of risks
- Monitoring of risk management systems in Company processes

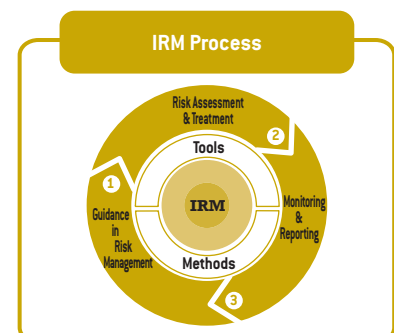
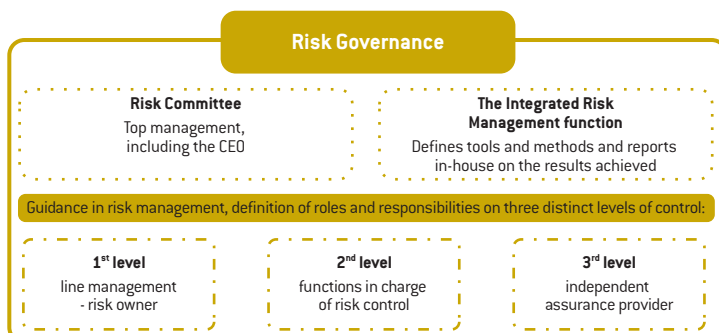
**Concise vision** of Company risks

- Analysis and comparison of risks of a different nature
- Reporting to top management, to process owners and to compliance committees on the main risks Saipem faces and related management methods
- Information flows on risks with specifications for the different actors and levels of business

**Strengthening** of risk management culture

- Greater awareness on the part of management and employees of exposure to risk
- Diffusion of management best practices
- Common risk language

### Elements





## Supplier quality assurance system

Saipem operates within a framework of transparency and fairness and adopts a series of measures to encourage behaviour that is consistent with these principles.

This means that full disclosure is expected of potential suppliers. Indeed in an effort to minimise the risks involved in working with third parties, qualification and selection processes are in place to verify and assess their technical capacity, reliability, ethics and economic and financial position.

In accordance with the guidelines set forth in Saipem Management System Guidelines (MSGs), the Company has implemented a counterparty risk assessment measure at the qualification stage for prospective or current suppliers. Counterparty risk assessment applies in the qualification process of critical and strategic goods, consultants, and professional service providers. It also applies in the screening of potential subcontractors included in a commercial proposal, suppliers with an estimated initial purchase of more than €500,000 and those selected by means of additional analyses, regardless of the class of goods.

Supplier counterparty risk assessment involves analysis of the economic and financial aspects, the technical and organisational capacity and consistency, ownership structure, country of registration of the Company, and any illicit activities on the part of the leading exponents. The results of the counterparty risk assessment can impact the qualification process and/or contractual relationship with the supplier and comprise the risk of exclusion.

## Organisational changes

During the first 6 months of 2013, the operational and organisational model of the Engineering & Construction Business Unit was reviewed to align the governance model with evolving business requirements and the Company's strategic drivers. In addition, in the second half of the year, the E&C Business Unit was integrated with the Drilling Business Unit under the control of the Chief Operating Officer. The principles driving the business reorganisation were: (a) a focus on each product line's core capabilities; (b) cross-product synergies and commercial opportunities; (c) simplification of the structure of the business, clarifying role and responsibilities; and (d) empowerment of key local and central managers balancing globalisation and decentralisation. The new organisational set up, which aims to allow the Company to effectively capture market opportunities and increase its performance and profitability, has the following characteristics: the Onshore, Offshore, Drilling and Floaters businesses are responsible for developing different product areas and for defining and implementing worldwide strategies and business plans; Regional Managers represent Saipem in their assigned geographical

area and are responsible for business development and integrated promotion and for the optimisation and consolidation of local entities and competencies; Central Functions ('Commercial', 'Tendering', 'Engineering, Technologies and Commissioning' and 'Project Management') have a central role in steering, coordinating and controlling the local entities and developing local activities/competencies on a worldwide scale. The organisational solutions implemented also led to a significant rotation of Managers, both at central and local level, a reduction in complexity, the reduction of positions reporting to the Chief Operating Officer and the empowerment of Managers reporting to the COO, allowing a more shared decision making process. Moreover, the following functions and positions were assigned to report to the CEO: 'Chief Financial and Compliance Officer', to ensure the governance of the principal functions involved in the management of the compliance and governance system; 'Integrated Risk Management', responsible for the identification, analysis, monitoring and reporting of the Company's main risks; 'Quality' and 'Health, Security, Environment and Sustainability', to ensure dissemination within the Company of a culture, processes and tools related to these areas; 'Procurement, Contract and Industrial Risk Management', with the aim of ensuring the integrated management of these business support functions, which make an important contribution in terms of project results; 'Public Affairs and Communication', with the aim of ensuring a focused, strategic approach to external communications, image management and public affairs; 'Business Technology and Development', with the aim of establishing an integrated approach to promotion of the Company's capabilities and products and leveraging of its technology research and development effort.

## Saipem anti-corruption procedures

Saipem has been active for several years now in the fight against corruption. The Company's Code of Ethics are adhered to by all Saipem personnel and expressly accepted by all vendors as part of the vetting process. Indeed, they expressly prohibit 'corrupt practices, illegal favours, collusive behaviour, and requests, both direct and/or through third parties, for personal and career benefits for themselves or for others'.

Saipem is committed to observing the United Nations Convention against Corruption, the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions and Transparency International's Business Principles for Countering Bribery. In an effort to improve the reference framework of rules and procedures already in place in the area of anti-corruption, which are implemented by Saipem on an ongoing basis in order to ensure maximum compliance with applicable national and international codes of ethics and anti-corruption laws, on April 23, 2012, the Board of

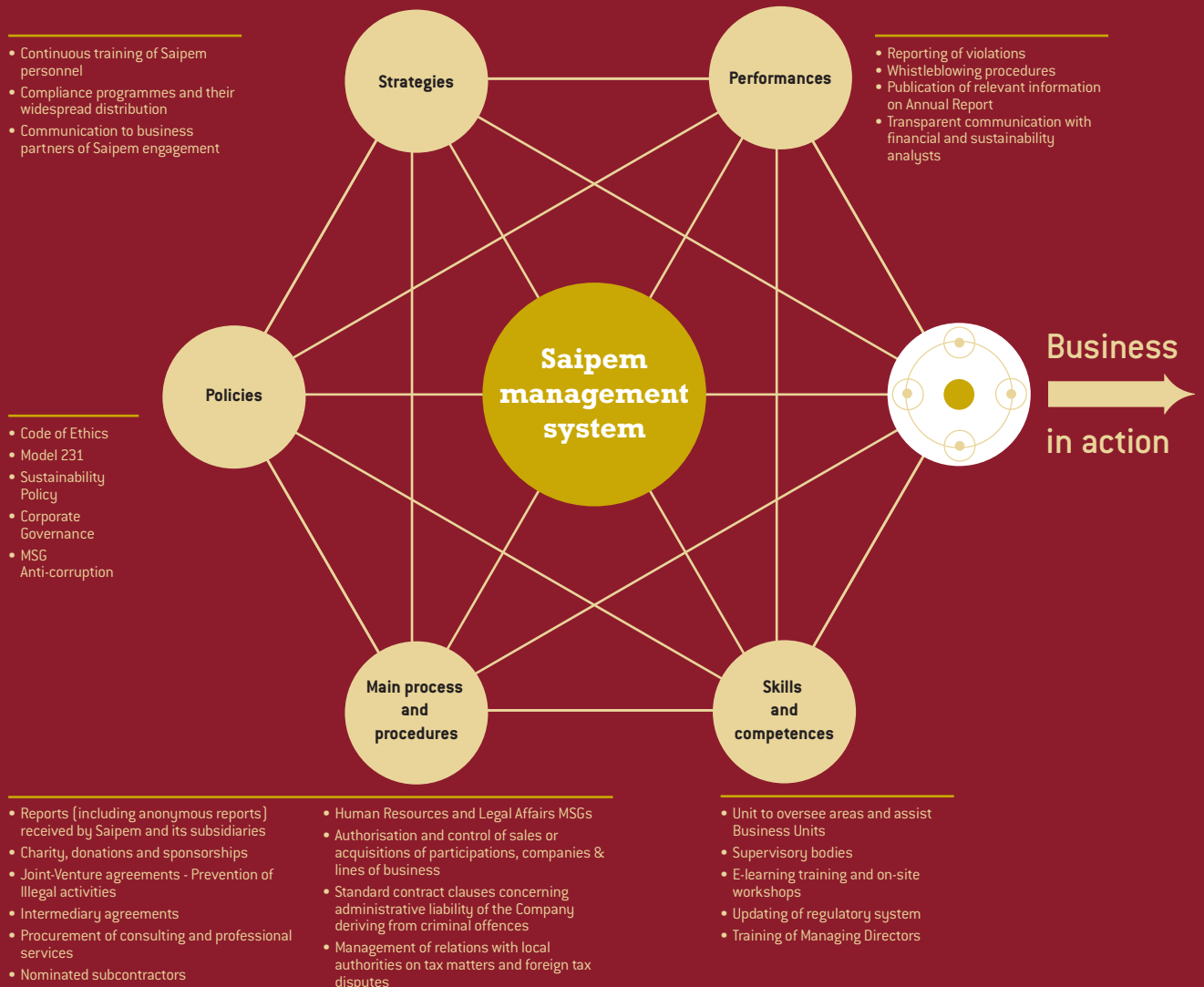
Directors of Saipem SpA approved the new 'Anti-Corruption' Management System Guideline'. As part of the ongoing development of the Saipem procedural corpus on the subject, this guideline has replaced the previous procedure 'Anti-Corruption Compliance Guidelines' issued in February 2010.

The new 'Anti-Corruption' MSG has been formally acknowledged by the Boards of Directors of all companies in the Saipem Group. With regard to associated companies, Saipem representatives on the respective Boards of Directors have formally announced the adoption by Saipem of the Anti-Corruption procedure, and have gone as far as they can in laying the groundwork for acceptance in their respective companies of the standards defined in the abovementioned MSG.

The main features of the Anti-Corruption MSG are:

- reference to so-called 'private corruption', with explicit mention of the UK Bribery Act, where applicable;
- explicit prohibition of 'facilitation payments';
- the provision of a 'Registry' in which any 'gifts, economic or other benefits offered or received by Saipem personnel' are duly recorded;
- a ban on political contributions, unless required under local law and only after following a specific authorisation procedure, which includes conducting a Due Diligence on the beneficiary;
- explicit inclusion of 'vendors' among the parties required to comply with Saipem's ethical standards and pre-qualification requirements, as defined in the MSG 'Procurement';
- extension of the notion of 'Covered Business Partners' to any party that may have significant contact with a public official, including consultants (who will be subject to Due Diligence and specific anti-corruption clauses, declarations and guarantees);
- a duty to report any requests for unlawful payments,

## Transparency and the fight against corruption



gifts, personal benefits, meals or entertainment expenses, employment or other benefits made by a public official or a private person that are not considered reasonable and in good faith.

Saipem requires compliance with anti-corruption laws from all intermediaries, business partners and 'Covered Business Partners' who may have significant contact with public officials when conducting business on behalf of Saipem.

All Saipem staff members are responsible for compliance with anti-corruption legislation. All documents pertaining to this are easily accessible via the corporate intranet portal.

Any suspected or known violations of the anti-corruption laws or guidelines must be reported immediately.

Disciplinary measures will be taken against anyone who violates Saipem's anti-corruption rules, who does not

attend the training programmes, who fails to report any violations of which they are aware, or who retaliate against anyone else who reports violations.

Saipem has also issued more specific anti-corruption regulatory instruments on various themes and areas that are particularly vulnerable to the risk of corruption. These internal procedures are subject to constant checks to ensure that they are updated where necessary. Specifically, in addition to the Corporate Standards on 'Intermediary Contracts' and 'Joint Venture Agreements - Prevention of illegal activities' revised in 2012, a programme was launched in 2013 to check and update some additional ancillary procedures to the anti-corruption programme. Any updates deemed necessary will then be implemented during the course of 2014.



More information on Saipem legal proceedings can be found in Saipem's 2013 Annual Report.



[1] Joint Ventures, intermediary, consultants.

## Training programme on business ethics

Training plays a central role Saipem's anti-corruption programme in an effort to raise its employee's awareness of the importance of fighting corruption. Saipem is constantly investing in ongoing education programmes in Italy and abroad in order to provide adequate knowledge of anti-corruption laws and regulations and internal anti-corruption rules. This renders the adoption of the Anti-Corruption MSG and ancillary procedures, where provided, more effective.

The programme is divided into different types of training. There are classroom and e-learning modules (in cooperation with the Eni Corporate University) on the theme of the Organisation, Management and Control Model (which includes the Code of Ethics) and attendees can meet management and representatives of the various functions of Saipem SpA and its Italian and foreign subsidiaries. The Company also organises institutional training meetings dubbed 'Welcome to Saipem' for newly-recruited graduates with the goal of providing a general overview of the Saipem Group and its activities. It also organises courses on the 'Legal, contractual and insurance aspects of projects' for employees with a more advanced level of seniority and expertise in the field of Procurement, Project Management, and so forth. The goal is to explore the language and main types and phases of contracts and project management. Specifically, this training provides the appropriate tools to assess the impact of the provisions of national and international regulations on contractual provisions and the precautions required to mitigate any associated risks.

In 2013, a special intensive course called 'Maximising Performance-Managing Director' was organised in cooperation with Eni Corporate University for the Managing Directors of foreign subsidiaries. It included a specific module called 'Legal and regulatory context'. Preparations are also underway for a specific e-learning module on anti-corruption which will be made available to Saipem personnel. In addition, HR managers and legal managers of some of the subsidiaries abroad organise training sessions on anti-corruption themes on an ad hoc basis.

Finally, all At-Risk Personnel (employees who have contacts with Public Officials or who may enter into contracts with third parties on Saipem's behalf) 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.

## Market scenario

The global economic outlook is slowly beginning to show some signs of optimism. Economic growth is expected to remain at low levels for the time being (around 4% in the next four years); but, despite some persisting risk factors, the return to stability is creating the conditions for a slow recovery in oil demand, which is expected to rise by 92 mmbbl/d in 2014 to 96.2 mmbbl/d in 2017.

Growth continues to be driven by the non-OECD countries, which are now able to fully compensate for the structural decline that has hit OECD countries as a result of the positive effects of energy efficiency policies, which have enabled a reduction in the energy intensity value, a parameter that indicates the amount of energy required in the production of wealth. Not only has a better use of resources been achieved, but also a gradual replacement of oil by other more sustainable sources, such as natural gas and renewable sources of energy.

In the face of rather weak demand, all things considered the exploitation of non-conventional resources (such as tight oil, oil sands and Pre-Salt) guarantees availability at even higher levels than required. The largest discoveries have come mainly from non-OPEC countries, which can now guarantee about 56% of oil production and 80% of gas. These go to offset the decline in production in the OPEC area, which has been affected by the ongoing geopolitical instability in oil-producing countries such as Libya, Iran, Nigeria and Iraq.

With the combination of slow economic recovery and an overall growth in supply, the price of Brent crude oil looks set to fall in the coming years (from 104 \$/bbl in 2014 to 90 \$/bbl in 2017), with a reversal in the trend expected only in the long-term. While the oil market is showing signs of weakness, signals from the gas market are all positive with higher growth in demand than for crude oil, driven increasingly by consumption levels in the power generation and transport sectors. The growth in gas production will be underpinned to a large degree by tight gas and shale gas production in North America,

# 71

NUMBER OF COUNTRIES IN WHICH SAIPEM OPERATES

# €17,514 mln

SAIPEM'S TOTAL CONTRACT BACKLOG

# 51%

OF WHICH IS RELATED TO SOUTH-WEST AFRICA AND MIDDLE EAST ORDERS

## The Egina field and Saipem's contract

In June 2013 Saipem was awarded the \$3 billion EPCI contract by Total Upstream Nigeria Ltd for the subsea development of the Egina Field, located offshore Nigeria in a water depth of up to 1,700 m.

The Egina field was discovered in 2003 in the OML 130 block, approximately 100 km off the Nigerian coast south of Port Harcourt in the Rivers State. The field's development calls for 44 subsea wells connected to a 330-metre long FPSO with an oil storage capacity of 2.3 mmbbl.

OML 130's operator, Total Upstream Nigeria Ltd, and its partners, NNPC, Sapetro, Petrobras and CNOOC, have now started the Egina field development project, their third major deep-water development offshore Nigeria since mid-2005. Total is aiming for start-up at the end of 2017, building to plateau production of 200,000 bbl/d.

Saipem's UFR (umbilicals, flowlines and risers) contract, the largest in the Company's history, involves engineering, procurement, fabrication, installation and pre-commissioning of 52 km of oil production and water injection flowlines; 12 flexible jumpers; 2 km of oil export line; 20 km of gas export pipelines; along with installation and commissioning of 80 km of steel tube umbilicals and the mooring of the FPSO and the offshore oil loading terminal (OLT) buoy. Most of the fabrication will be performed in Nigeria, with marine installations to follow during 2016 and the early part of 2017.

### The technical challenges

The Egina UFR presents numerous novel aspects and technical challenges, mainly due to the water depth. Chief among these are the qualification and installation of the 20.5-inch flexible oil offloading lines, which are the largest anywhere; the organisation of the riser layout, comprising eight top-tensioned risers including production, gas export and water injection types in a very compact area; and the resolution of the high fatigue loads induced by

slugging effect, in particular to the riser base spools.

The 1,250-metre long, steel single hybrid risers (SHRs) will be fully rigid up to the jumper connections to the FPSO. They will be of the same proprietary design as applied for Usan, a previous deep-water UFR and OLT contract assigned to Saipem in 2008 by Total in Nigeria. Compared to steel catenary risers (SCRs), the SHRs present numerous advantages. Their configuration means that they are virtually fatigue-free, with no particular requirement to counter weld fatigue. Additionally, they can be installed prior to or after arrival of the FPSO to the benefit of the field installation schedule. In addition, SHRs have the advantage of minimising the loads on FPSO hull freeing payloads for modules and equipment.

As for the high slugging fatigue loading, Saipem will develop a suitable spool design, including welds that have to be specifically qualified to combat fatigue in a sour environment.

Turning to marine operations, planned to be carried out beginning 2016 by the FDS and FDS 2 ultradeep-water field development ships and by the Saipem 3000 heavy lift DP vessel, the main technical challenge will be the installation of the risers, which will have to be top-tensioned by huge buoyancy tanks of 6-7 m diameter and 50 m in length. These will be filled with nitrogen to allow dewatering and sustain the water depth. The buoyancy tanks will be bigger than those deployed for the Usan risers, and the potential impact on the installation vessel, combined with weather, requires a very detailed assessment.

It is also worth noting that the particular architecture of the field layout, notably the close distance between consecutive water injection drill centers, will require the utilisation of high performance pipe laying vessels because of the need to control heavy flowline catenaries with multiple in-line structures. Expected dimensions of the spools also require

top tier heavy construction vessels. Saipem will address all of these issues by drawing on its experience and technology methodologies from previous deep-water projects, and the solutions should make this a benchmark for future deep-water UFR developments.

### The Local Content: a Nigerian project

The Egina project implementation plan confirms Saipem's strong commitment to Local Content in the Country. The vast majority of fabrication works will be performed at Saipem's Rumuorlumeni Yard in Port Harcourt. This is an international-class fabrication yard and logistics base, with state-of-the-art facilities including new cranes. It is the largest in West Africa in terms of acreage and equipment, has an increased fabrication capacity of 22,000 tonnes/y, and is fully capable of handling the Egina UFR project requirements. The entire Egina UFR project is run from Saipem Contracting Nigeria's premises in Lagos, and most of the engineering is being performed in Nigeria.

One of the main goals of the entire project is to prioritise the use of local vendors. Indeed, Saipem is auditing and qualifying major Nigerian subcontractors to assess the scope of work that they can perform. As part of its strategy of building local capacity and transferring know-how, Saipem also ran an extensive training programme for 60 local engineers to develop the multidisciplinary expertise required for the development of deep-water projects. It covered areas such as cathodic protection, geotechnical, subsea structures, flowlines, risers and installation engineering. Training initially commenced in Lagos, conducted by Saipem experts. The trainees were then sent to Saipem's deep-water competence centre in Paris for a minimum duration of three months. After their return, their training continued on the job, and some are now recognised as leaders in their field in Nigeria.

where, in fact, there is slow recovery in the Henry Hub price (4.4 \$/mmBtu in 2017), while in Europe the difficult macroeconomic environment and the competitiveness of alternative energy sources continues to weigh heavily, bringing the price forecast from 10.5 \$/mmBtu (2014) to 9.2 \$/mmBtu (2017). Current oil and gas prices do allow the oil companies to make significant investments in all sectors, however. The Onshore sector has reconfirmed the levels achieved last year and Saipem has signalled the start of numerous drilling and development projects, especially in North America, with Canada as the first investor in the area, especially in non-conventional resources. Saipem, which has been active in the country for some years now, has further strengthened its presence with the recent opening of a fabrication yard in Edmonton, at the heart of the national oil sand reserves. The upstream segment is generally more consistent, thanks to new discoveries, while LNG shows the highest growth rates. The offshore world is also experiencing high levels of spending, despite remaining slightly below the expectations of a year ago. The North Sea has confirmed itself as one of the most active areas, especially for subsea installations, while Asia-Pacific, along with the Gulf of Mexico, is dominating the laying of pipelines and installation of platforms. West Africa is a crucial sector for offshore developments, with the new Pre-Salt discoveries in Angola and the large ultradeep SURF projects, including the Egina project won by Saipem in 2013, one of the most recent examples. Brazil continues to be the reference for the FPSO, despite the bankruptcy of OGX, one of the most aggressive oil companies in the country. Offshore Drilling is concentrated in the triangle formed by West Africa, Brazil and the Gulf of Mexico, through the use of floaters in particular. FLNG liquefaction and FSRU regasification units continue to be chosen as possible developments both for offshore fields of reduced dimensions and for processing near the coast, thus reducing the ecological footprint. An example is the FSRU Toscana, which Saipem delivered at the end of 2013. A number of the long-term trends that have emerged over recent years are thus gaining in momentum and reshaping the traditional characteristics of the Oil&Gas market. One of the merits that can in fact be attributed to the crisis of recent years is that it has eroded the paradigm that binds economic growth and energy demand. An examples of this are those industrialised countries which, until a few years ago, were large consumers and are now becoming experts in efficiency. The United States, a historical importer of energy, has laid the groundwork to become self-sufficient as well as an exporter of energy. Similarly, the geography of the reserves is being re-shaped, relegating OPEC conventional resources and to a marginal role. The key factor that has led to this global change is the great technological breakthrough in recent years, which has guaranteed access, at increasingly contained costs, to large non-conventional and remote resources in ultradeep-water and the Arctic, and which allows the remaining life of the

production fields to be increasingly extended through the use of EOR (Enhanced Oil Recovery) technologies.

## The capacity to innovate

For Saipem, the capacity to innovate by developing new technologies, differentiating know-hows and methodologies and taking them up to industrial deployment is fundamental and, along with the ability to use existing skills in novel ways, shall become increasingly so in years to come with a view to strengthening the Company's market leadership. Cutting-edge assets must come from the ability to innovate if the Company is to provide effective answers to future market demands. Saipem is committed to creating an environment in which more inventions and innovations are conceived, developed and brought to fruition to serve the business, enhance effectiveness and facilitate access to new opportunities.

In 2013, Saipem carried out a restructuring of its research and development activities. The rationale behind this is the belief that **the ability to offer advanced technological solutions represents a crucial factor for sustaining and enhancing the Company's competitive advantage in both the medium and long term.**

As part of the change, a new corporate research and development department has been set up with the goal of maximising and fully leveraging Saipem's research and development efforts through careful management. The department has been assigned coordinating, planning and supervising functions for all research and development initiatives undertaken. The research and development departments of the Business Units remain focused on defining specific development proposals and directly managing projects and initiatives.

The restructuring initiative is expected to bear fruit in the near future. In the meantime, however, the year 2013 saw Saipem press on with its research and development programme, working on distinctive solutions in technologically-advanced sectors, such as the deep and ultradeep-waters and floating platform sectors and the development of new procedures and equipment for subsea excavation and pipelaying under extreme conditions. Other fields of investigation involved the improvement of proprietary process technologies and the expansion of the Company's portfolio of environmental services, also by making use of high-level technological collaborations with research centres and other industry players.

A few representative areas include the following:

- **Subsea separation:** operations performed in offshore oil and/or natural gas field developments, especially relating to the equipment and technology employed for the extraction, treatment and transportation of oil or gas below sea level. The aim is to achieve qualification of subsea gas/liquid separation and liquid boosting stations to offer an optimised design for deep-water and/or high design pressure application.
- **SURF:** in this area, Saipem's aim is to identify, analyse

and test innovative mechanical solutions to improve and develop proprietary flowline and riser solutions for deep-water, adapted to the Saipem fleet.

- **Floating LNG:** this area is of utmost interest for the exploitation of natural gas. Saipem is present by developing innovative solutions such as a proprietary tandem offloading solution using floating cryogenic flexible hoses (alliance with Trelleborg).
- **Sealines:** initiatives are under development to

increase the pulling capacity of the installation in ultradeep-water, to improve the productivity and the quality of sealine construction, to prevent and reduce the risk of accidental flooding of the line and to extend the repair technology to applications in acidic environments. Furthermore, experiments nearing conclusion on techniques for the transplantation of the aquatic plant *Posidonia* at sea are confirming the positive results obtained in the laboratory.

## FOCUS ON MEXICO

### A stronger presence in an encouraging market



After successfully completing a number of projects in the refining and petrochemical sectors in Mexico in past decades, as well as various offshore activities with traditional modes of service delivery in recent years, given the prospects for recovery of the Mexican market and the possibility of adopting the strategy consolidated by the Company to maximise Local Content, Saipem has recently incorporated two companies in Mexico City: Saimexicana and Saipem Services Mexico. These have more than 2,600 employees, over 90% of whom are local specialised personnel. In addition, part of the design and operational leadership in the installation of offshore platforms and pipelines in the Gulf of Mexico is driven and managed from the Houston centre, USA.

Currently, Saipem is carrying out design and construction activities in the following major projects in the Oil&Gas sector:

- **The Pemex refineries in Salamanca and Tula:** engineering, procurement and construction of two plants for the removal of sulphur to produce high quality gasoline ('Gasolinas Limpias'). These two contracts, worth approximately US\$ 500 million, are currently about 70% completed.
- **El Encino Pipeline - Topolobampo:** engineering, procurement and construction on behalf of TransCanada of a 550 km bidirectional 30' diameter trunkline pipeline, to transport gas sourced from the United States from El Encino (Chihuahua State) to Topolobampo (Sinaloa State), and vice versa. The implementation stage of this

contract, worth over US\$ 500 million, began in 2013.

- **CA-Litoral A and CB-Litoral A Platforms:** for Pemex Exploration and Production – the transport and offshore installation of two platforms in the Gulf of Mexico/Bay of Campeche. The completion of these contracts, with a total value of over US\$ 100 million, is scheduled for the end of 2014 and 2015, respectively.
- **The Perla Platforms (Venezuela):** the Saipem/Tecnicas Reunidas joint venture has outsourced the manufacture of the three platforms for the Eni/Repsol gas production project in Venezuela named Perla to Mexico. These are the first offshore platforms ever built in Mexico for export.

The future prospects of the Mexican market appear to be good and show encouraging signs. Faced with a growing domestic demand for energy, products and quality fuels, which is currently being met by imports, Pemex has scheduled a large number of new projects and investments.

In addition, the new government is launching a historic energy reform that should lead to the modernisation and development of the sector following the arrival of private and foreign investors through contractual profit sharing mechanisms.

Although still far from a complete liberalisation of the sector, the reform could have a huge impact: allowing private sector involvement will ensure faster implementation of new planned investments.

The return of foreign oil companies after 76 years also allows exploitation of natural resources in deep-water and ultradeep-water, which has proven to be rich in hydrocarbons over the American border.

This market, which should then go on to expand and open up, looks set to provide Saipem with significant future opportunities to participate in the construction of major new projects in the Oil&Gas sector.

If these initiatives prove successful, Saipem envisages an amplification of its Local Content policy, comprising the expansion of the Mexican workforce and the signing of new strategic agreements with local companies.

These techniques are especially relevant for the remediation of damage caused by sealine trenching activities in Posidonia meadows.

- **Urea Zero Emission:** Saipem is developing technology to eliminate all potentially noxious emissions from Urea plants, thus making its proprietary technology completely environmentally friendly. The project is currently at the stage of laboratory testing, with field testing targeted within two years.
- **Energy Efficiency:** the designer of process plants is perpetually faced with a fundamental choice between low investment and low energy consumption. Saipem therefore aims to offer each potential Client a full portfolio of options in terms of energy consumption. Among the variety of alternatives that can be pursued in this field, technological innovation warrants a primary role. For this reason, following preliminary screening of several ideas implemented in 2012, a project targeting the identification and development of novel ways to increase the efficiency of process plants kicked off in 2013. Current lines of work are mainly focused on the recovery of unused or wasted energy and on the improvement of efficiency in heat exchange equipment, particularly air coolers. However, the search for more effective solutions is not limited solely to surface plants. Saipem's technology developments in the field of subsea processing can also definitely contribute to improving energy efficiency by greatly reducing consumption during field life.

An indirect and important contribution to innovation will be finding ways to transfer the application of Saipem's new project execution concepts so that they are closer to the markets and project sites. A recent example, as an additional building block to Saipem's commitment to Local Content, was the creation of the Deep-Water Offshore Engineering and Technology centre in Luanda, Angola, for subsea engineering and project execution to be carried out to a large extent locally. This will be followed by a prefabrication yard in Guarujá, Brazil, and an engineering centre in Rio with similar objectives. Steps are also under way in Russia to create, together with a partner, an advanced engineering and project execution centre, as well as a fabrication yard. In the future, similar investments could also be undertaken in other new markets such as Mozambique.

These initiatives are the latest in a series of success stories, including the creation of substantial but local project design and execution centres in Calgary, Canada, Mexico City and Perth, Australia, which often transform Saipem's innovations into practical applications.

## The new Saipem Floaters business structure

The Floaters structure has its main offices in Saipem SA (Paris), which therefore acquires a Corporate role

alongside its spearhead function in offshore activities and rigs and in maritime works.

The business is currently active in management and maintenance of the Saipem owned FPSOs leased out to Clients and completion of turnkey facilities installed on floating hulls.

But Saipem also aims to become a key international player on high-tech projects such as FLNGs, or large-size and complex projects on which Local Content can become a competitive driver.

Saipem has all the characteristics needed to succeed in this regard. These include technical competence, expertise in onshore and offshore project management and engineering, strategic alliances with specialist partners for offshore plants, proven experience in large new-build FPSO key offshore and onshore projects, a multi-local organisation and, finally, financial strength to manage and deliver large-scale projects.

The main constituents of Saipem's current approach in the Floaters business line are internal expertise to provide all the competencies required from the very early stages, development and design of advanced solutions for mooring concepts and of innovative solutions for process modules, availability of fabrication capabilities for topside modules, leveraging of strong local presence in key areas and maintaining relations with key players, such as shipyards, shipowners, key suppliers and process licensors.

## Quality in our DNA: aiming for excellence

Saipem's success has been forged by a history of excellence and the ability to respond quickly to new developments and market needs, even anticipating them. July 2013 marked the launch of 'Bring quality to the next level', a new programme and tool for further strengthening the Company's quality system, promoting a corporate culture aimed at the continuous pursuit of excellence and the highest standards of quality in the sector and ensuring a greater degree of competitiveness and strength from a commercial point of view.

The programme has a two year life span and is presided over by a Steering Committee composed of the heads of various business functions, which reports regularly to the Executive Committee on the progress of the activities. The latter, which commence after the first quality assessment stage of the Company quality management system, are carried out by interdepartmental work groups, each under the responsibility of a Workstream Leader and the supervision of a Workstream Sponsor. They have been identified for the development of five workstream priorities:

- **'Cost of non-quality':** to ensure the definition of methodologies and tools for the identification and



tracking of non-quality costs on individual projects and, more generally, the Company.

- **'Lessons Learned'**: to ensure the definition and implementation of methodologies and systems that guarantee the capitalisation of experience on projects and the sharing of both successful and unsuccessful practices, in order to spread knowledge to all levels of the Company concerned.
- **'Supply Chain of Materials'**: to ensure analysis of the entire supply chain of Saipem materials, whilst considering the causes of recurring non-compliance of materials supplied, in order to identify possible areas of intervention and process optimisation.
- **'Offshore Fabrication Subcontractor'**: to ensure analysis of the supervision process of construction work subcontracted out to third party fabrication yards, in order

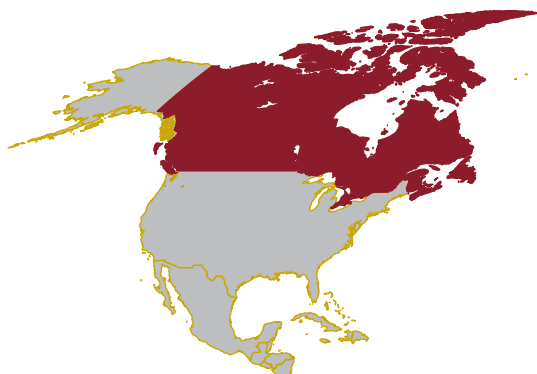
to identify the most appropriate operating procedures and mechanisms that guarantee achievement of the objectives of the subcontracted activities.

- **'Top management critical metrics-Drilling'**: to ensure the design of an integrated system of Key Performance Indicators (KPI) that allows the management of companies and business units to monitor the economic and operating results of the Drilling business systematically and to implement corrective actions, where necessary.

A communications plan has been implemented parallel to these five workstreams to ensure the involvement of all Saipem staff. Based on the results achieved in this first phase, which is due to draw to a close in March 2014, a new workstream will be launched in April.

## FOCUS ON CANADA

# Broadening the capabilities of Saipem Canada Inc



The establishment of Saipem Canada Inc, together with the creation of its local and wholly owned construction subsidiary, Saipem Construction Canada Inc, has been one of the Company's success stories over the last decade. Saipem moved gradually into Alberta state, less than a decade ago, in order to take advantage of significant opportunities offered by the multibillion investments in the growing exploitation of oil sands, which by now have reached the production of well over 2 MBPSD (million barrel per stream day), overshadowing the production of traditional crudes of about 1 MBPSD. To the market in Alberta, Saipem has brought its expertise in project execution via EPC and LSTK (Lump Sum Turn Key) contracts, which is starting to be much appreciated by many Clients. Most of the new investments in Alberta are typically located way up north of established population areas around Calgary or Edmonton, particularly in Fort McMurray, where the availability of labour is scarce and the window of field operation is short, restricted only to summer months on account of the very severe winters.

Hence, the local Oil&Gas industry normally makes large use of modularised solutions. Various modules are built typically in Alberta's larger industrial areas in the South, then trucked to the project sites and installed during a short, favourable season.

Saipem put this solution into practice in its first contract in Alberta, namely the Secondary Upgrader for the Phase 1 of the Horizon project for CNRL, between 2005 and 2009, as well as in several subsequent contracts for CNRL and Husky Energy. This was done primarily by subcontracting the fabrication to selected local companies.

In the belief that operating in-house increases the effectiveness of project execution and reduces the execution risk, Saipem invested in the development of its own new fabrication yard in Edmonton, which was fully opened on November 19, 2013 (some production had started earlier in the year). This new yard, covering 50 acres north-east of Edmonton, will be able to produce 12,000 t, or approximately 140 typical modules, per year. The yard will employ about 400 people, some of them shared with the recently created Piping Fabrication Shop in Nisku, also in the Edmonton area.

Together with over 500 engineers, project managers and administrative staff in the Calgary design and project execution office, and over 700 directly hired construction personnel at the project sites, Saipem is today one of the largest engineering and construction companies in Alberta. The new fabrication yard greatly increases the Company's direct execution capabilities and has been one reason for receiving further contract awards. Saipem Canada Inc is today the only really local full-service EPC contractor in Alberta, which can fully control and assume the risk of the entire work sequence.

# Local Content approach: delivering shared value

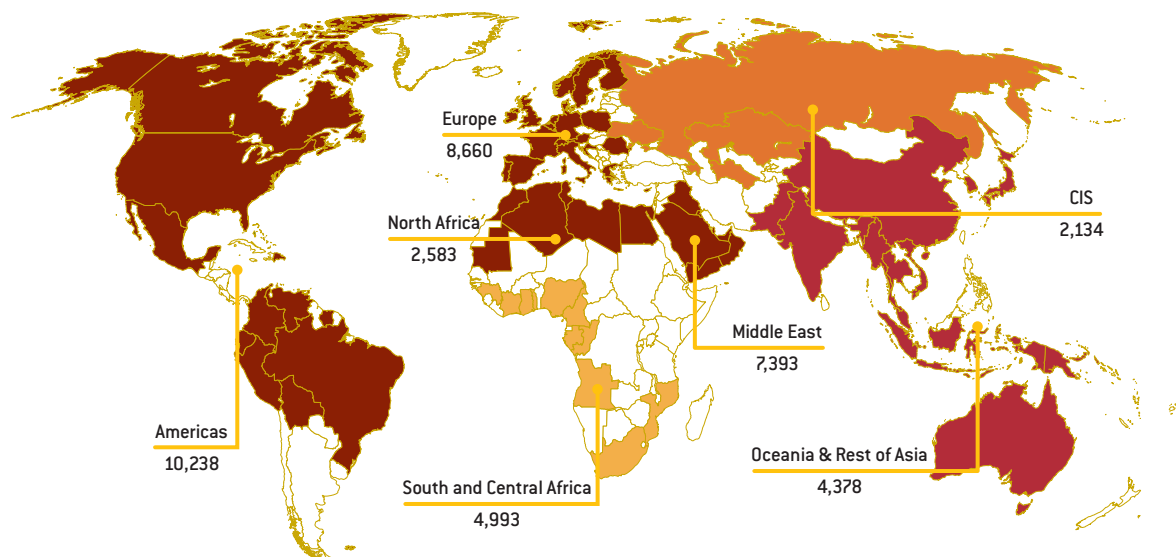
For Saipem, promoting Local Content means contributing to the development of local communities, mainly by offering employment opportunities, training and the transfer of know-how, but also by working effectively with local vendors and subcontractors to create socio-economic value.

Saipem has always applied a comprehensive Local Content approach, since it is convinced that this is the key to its success. Maximising Local Content is a universally valid business principle that has gradually gained a foothold in all operating contexts, regardless of the demands of Clients and/or local institutions. Besides this, as a contractor in the Oil&Gas industry, the nature of Saipem's presence in an area takes on two main forms: firstly, a long-term presence where Saipem has construction yards or other fixed facilities; secondly, a mid-term or short-term presence in locations where Saipem is working on specific projects following the requirements of the Client.

The first form of presence is of course the most important component of Saipem's strategy of maximising Local Content and, indeed, of the Company's industrial model in general. Saipem is investing to reinforce and extend its network of fabrication yards throughout the world. These are multi-disciplinary operating sites that ensure a timely and specific response to business needs arising in a given country. It is around these needs that, for its part, the Company can invest in boosting relations with local actors and participate in the development of local social and economic conditions. At present, Saipem has 10 operating yards. The Edmonton Yard (Canada) was opened in 2013 and the Guarujá Yard (Brazil) is under construction.

## LOCAL EMPLOYEES (No.)

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



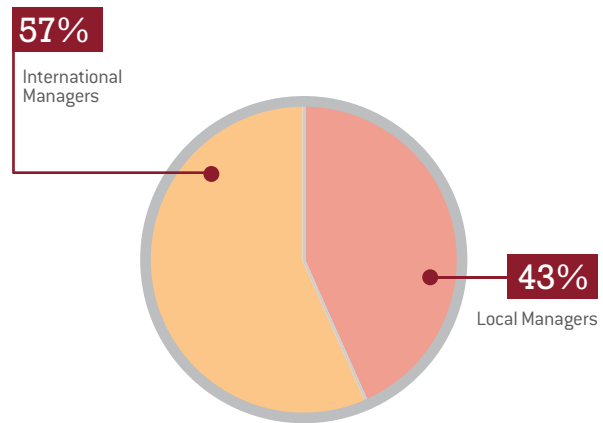
77% of the Company's 52,157 employees are employed locally, with the highest percentage in the Americas, Europe, North Africa and the Middle East.

# Employment and management of local resources

Employing local workers on Saipem projects enriches the diversity of the Company's workforce and provides young talents from around the world with the opportunity to grow professionally in their native country or overseas. Saipem concretises this commitment through the issuing of scholarships (made possible by relations with local institutions), the setting up of apprenticeship programmes (with a view to increasing a candidate's opportunities for employment) and the teaching of courses to prepare students to work in the Company (to improve local know-how). However, classroom and on-the-job training aims not just to increase the number of local employees, but also to promote professional growth and ongoing development of skills. Further information in this regard can be found in the chapter 'Competency as a business driver' of this Report. Saipem acknowledges the real opportunity provided by these initiatives, since not only do they provide services of high social value, they also meet the general strategy of efficient and effective human resources management, guarantee the Company's medium- to long-term

presence on the local market and ensure critical professional skills for future projects.

## LOCAL MANAGERS



Excluding Italy and France, more than 43% of managerial positions (middle and senior managers) are held by local employees.

## FOCUS ON VENEZUELA

### Introduction to Drilling



The 'Introduction to Drilling' workshops are an innovative and effective method to achieve different goals at the same time. These include contributing to local growth, complying with Petrex (a Saipem operating company in Venezuela) standards, reducing the risk of accidents involving temporary workers, and meeting the Client's objective of distributing oil industry benefits among the local population. The workshops provide basic training to local inhabitants of the communities where Petrex works. Operations,

**91%**

OF EMPLOYEES ARE LOCAL

**39%**

OF MANAGERS ARE LOCAL

the tools used for drilling, safety, health, environment, sustainability and labour rights are all taught. After participating in the workshop, locals are able to cover temporary positions in local Petrex operations. This initiative was Petrex's response to the 'System for Democratization of Employment - SISDEM', set up by the Client in order to promote the temporary hiring of local inhabitants by its contractors. During 2013, Petrex Venezuela carried out 22 of these workshops, benefiting 739 neighbours of drilling operations.

## FOCUS ON BRAZIL

### Training Programme for Local Manpower



As part of the development of the *Centro de Tecnologia e Construção Offshore* (CTCO), Saipem do Brasil has defined specific sustainability actions containing a set of economic, social and environmental performance targets to be reached through a process of continuous improvement. These are in accordance with the signing in May 2012 of a Memorandum of Understanding (MoU) between Saipem and the PMG (Guarujá Municipality), a major stakeholder in the area.

A key activity for qualification of the workforce is the partnership Saipem has established with SENAI (Serviço Nacional de Aprendizagem Industrial), a Brazilian institution recognised in the qualification of manpower for the industrial sector to develop an apprenticeship program. The Training Programme for Local Manpower aims to train young people for subsequent employment, thus meeting the CTCO's demand for resources in compliance with the internal policies of the HR department of Saipem do Brasil.

The main guidelines for the Programme are:

- Cooperate in qualifying public facilities for the training of

**78%**

OF EMPLOYEES ARE LOCAL

**43%**

OF MANAGERS ARE LOCAL

manpower in the Guarujá area.

- Provide, at no charge, and with priority to inhabitants of the Guarujá area, opportunities for gaining technical expertise, focusing on activities with a high demand for workers such as welders and steel pipe workers.
- Define how many people will take part in training, taking into account the number of vacancies open and those that are estimated to open.
- Define the contents and methodologies required for each of the courses.
- Establish a database of resources that attend the Programme and use it in the hiring process.

#### Achievements

The first classes began on February 25, 2013 using the facilities of Escola 1° de Maio (which was refurbished by Saipem and now has 4 extra classrooms, 1 multimedia lab and 1 electrical lab) as well as those of the SENAI Cubatão for practical training. In the first half of 2013, 135 people completed the training course of whom 32 were hired by Saipem, while others are in the process of being hired. Another session commenced in the second half of the year, with 136 participants. This will end at the beginning of 2014.

## FOCUS ON MEXICO

### Sideboom Operator Training Course



**89%**

OF EMPLOYEES ARE LOCAL

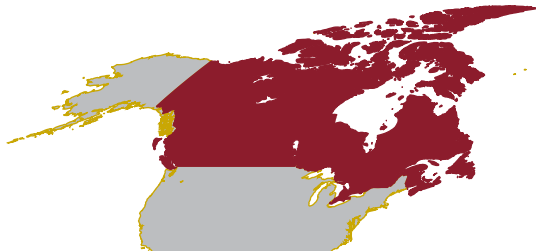
**from 384 to 2,680**

THE WORKFORCE INCREASE IN 2013

Saipem in Mexico is working on the 'El Encino Topolobampo Pipeline' project, which consists of the construction of a pipeline across the states of Chihuahua and Sinaloa in the north of the country. The pipeline will transport natural gas from the existing pipeline in El Paso-Chihuahua,

## FOCUS ON CANADA

## Aboriginal Communities



Saipem operations are located mainly in Northern Alberta, in proximity to a variety of Aboriginal communities. By developing positive working relations with these communities, Saipem generates socio-economic impacts that can provide stability and benefits to the Aboriginals, to Clients and to the Company itself.

Building strong relationships with local and Aboriginal communities in Fort McMurray remained the focus for 2013. With the Saipem local coordinator elected to the Fort McMurray Chamber of Commerce and the Wood Buffalo Food Bank, an average of two community events a week were attended, including Northeastern Alberta Aboriginal Business Association (NAABA) networking sessions, Metis Local 1935 Metis Fest, and Fort McKay Treaty Days. Face-to-face meetings were held regularly with businesses located in Fort McMurray, along the Highway 881 Corridor, Anzac, Conklin, Lac la Biche and north of Fort McMurray along Highway 63. Meetings occurred regularly with Aboriginal communities, including the Athabasca Tribal Council, Chipewyan Prairie Dene First Nation Economic Development, Athabasca Chipewyan First Nation Group of Companies, Fort McMurray First Nation Band, Mikisew Cree First Nation Group of Companies and the Fort McKay First Nation Band.

93%

OF EMPLOYEES ARE LOCAL

from 1,012 to 2,181

THE WORKFORCE INCREASE IN 2013

Two networking procurement events were held in 2013, hosted by Statoil, Saipem Construction Canada and the Local Opportunities Centre in Conklin. Each local company that attended was contacted directly following the event to schedule a meeting for a more in-depth discussion of their business.

Work has been ongoing with the Regional Municipality of Wood Buffalo Council and Administration to develop a regional business incubator and research facility. The Centre of Excellence will provide business start-up knowledge and support, as well as research and development in an effort to improve the overall capacity of local services and supplies available to the oil sands industry.

Alberta Works, a provincial government human resources service, and Keyano College, both located in Fort McMurray, have been working with the local coordinator to allocate regional employment opportunities with Saipem Construction Canada.

In just under three years, Saipem Construction Canada has spent nearly \$45 million contracting local and Aboriginal suppliers from the Fort McMurray region, delivering valued services in support of Saipem's projects at CNRL and Husky Sunrise sites.

near El Encino, to delivery points located near El Oro and Topolobampo, both in the state of Sinaloa.

In order to generate employment opportunities for local communities, Saipem organised a training course for sideboom operators in cooperation with a professional training institution, ICATSIN (Instituto de Capacitación para el Trabajo del Estado de Sinaloa). A recruitment campaign was launched through local newspapers to select people with previous experience in operating heavy equipment. The course was taught by experienced Saipem international trainers. The theoretical component was held on the ICATSIN premises and the practical part on

the Saipem Logistic Base in Los Mochis. The course was held from October 28, to December 19, 2013. Once it was completed, Saipem offered the 15 participants a six-month work contract, following which they will receive official certification as operators in this specific field of pipeline construction.

The experience of this training will provide a useful basis for further enhancing the recruitment of local people for project needs. It will also ensure proper and safe project execution as well as a contribution to the local economy through the provision of an opportunity for qualified employment.

## Optimisation of Local Content in the procurement process

This approach takes the form of a series of measures to increase the percentage of local vendors involved in supplies. Not only does this generate economic value and an overall increase in the use of local resources, it also facilitates the transfer of know-how and the development of skills.

As a procurement strategy, Saipem promotes medium- to long-term agreements with local vendors to develop forms of multi-year cooperation that will hopefully lead to synergies. It is through this approach that, after many years of cooperation with Saipem, an increasing number of vendors have managed to expand the type of goods and services they offer and to boost the technological complexity of their supplies. This chapter provides a

snapshot of key initiatives implemented worldwide exemplifying Saipem's approach to managing local vendors and subcontractors.

**51%**

OF GOODS AND SERVICES FOR OPERATING PROJECTS ARE ORDERED LOCALLY

**31,207**

QUALIFIED VENDORS

### FOCUS ON NIGERIA

## Knowledge transfer and support to Saipem Vendors



In July 2013, a new version of eBusiness, the Saipem procurement portal used to manage bids, was released in Saipem Contracting (Nigeria) Ltd (SCNL). In cooperation with the Nigerian Content Development and Monitoring Board, it was therefore decided to run a dedicated workshop for all the Nigerian vendors registered with and active in Saipem.

The workshop aimed to make Nigerian vendors more aware of Saipem's business model (especially in the Nigerian context) and of the process involved in qualification phase management, and also to provide a platform for sharing knowledge, experience and difficulties associated with

**59%**

OF GOODS PURCHASED FROM NIGERIAN VENDORS ARE CRITICAL AND STRATEGIC

**€402 mln**

PURCHASED FROM LOCAL VENDORS

the Saipem eBusiness portal. In addition, this was the perfect opportunity to highlight once again to vendors the contents and significance of Saipem's Code of Ethics. All registered Nigerian vendors were invited to the workshop organised on the 3 main Saipem premises, respectively in the cities of Lagos, Port Harcourt and Warri, in the period from July to November 2013.

There were 2 sessions per day, with an average of 9 vendors per session. Each session had a theoretical and a practical component, where vendors could experience the system, and a final training outcome evaluation. Over 36 days, a total of 637 Nigerian vendors were trained. A Nigerian Help Desk Number was established and at the time of writing 147 calls from Nigerian vendors using eBusiness have received support.

As a permanent initiative, monthly sessions of the workshop will be organised for all future Nigerian vendors registering with Saipem.

From July to November 2013, eBusiness was used on 935 bids, around 86% of the total, and today eBusiness is a standard tool for Saipem procurement in Nigeria.

## Market scouting

Market Scouting activities are an integral part of the procurement process. The primary objective is to identify vendors of products and services in areas of strategic interest to Saipem, with the aim of expanding and improving project vendor lists.

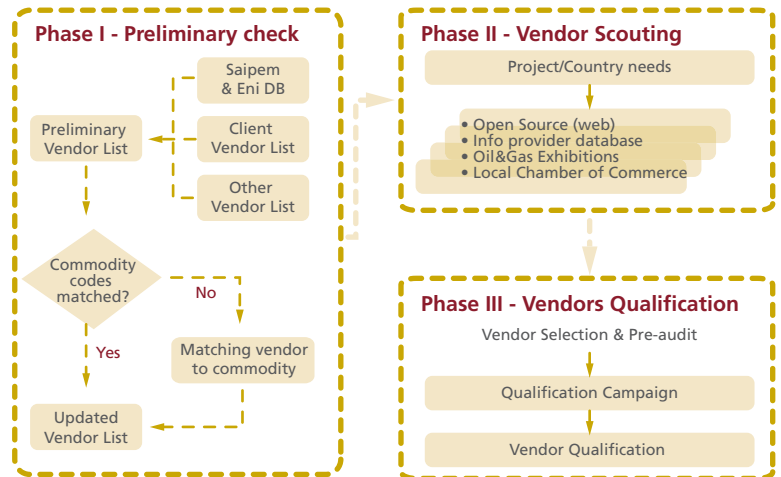
Market Intelligence (MKTl) analysis typically includes the following:

- General (macro) knowledge of the socio-economic situation of the country or reference area in question.
- Market analysis of the vendors in the area (main features, associated risks, and so forth).
- Definition of a scouting plan based on analysis of the 'Current Situation' of Saipem vendors and on-going and future projects, with a strong focus on the vendors of classes of product that are expected to be key for operational activities.

In 2013, an activity was implemented and/or initiated in Brazil, Russia and Mexico with the aim of generating

the 'Current Situation' and the Country Vendor List (association of classes of products and vendors either already present in the Saipem database or extracted from the external Vendor List).

In summary, the MKTI process involves the following steps.



## FOCUS ON BRAZIL

### Market scouting campaign



**979**

NEW BRAZILIAN VENDORS WERE APPROVED

**52%**

OF GOODS AND SERVICES FOR OPERATING PROJECTS ARE ORDERED LOCALLY

In order to support the new 'Offshore Construction and Technology Centre' in Guarujá, in the state of São Paulo, Saipem's Vendor Management Team, assisted by the offices in Rio de Janeiro and the Yard at Guarujá, continued market scouting activities in 2013. Focus was placed on maximising the number of newly qualified vendors, encouraging and monitoring their qualification processes, exploring opportunities in the Brazilian market as regards needs for products and services, and increasing the number of local vendors.

The Brazilian Vendor Database was analysed using an indicator known as the 'Vendor Covering Index', which shows whether the Saipem Vendor List contains a sufficient number of suppliers in the event that a certain product or service is required. Once the needs of Saipem do Brasil were ascertained, tools such as websites, exhibitions, specialist Oil&Gas databases, customer vendor lists and vendor proposals from various departments within SdB were used to produce the Vendor 'Long List'. Meetings were held in the offices of Rio and Guarujá with vendors of critical and strategic products and services, in the presence of representatives from the Engineering office. The resulting list was then shared with the Saipem do Brasil Engineering and Procurement offices. The most recent vendor list shows an increase in Brazilian vendors which in turn has led to improvements of 10% and 4% in coverage of product classes for strategic and critical materials, and 18% and 11% for strategic and critical services, respectively. Overall, 979 new Brazilian vendors were approved in 2013 and placed on the Saipem Vendor List.

## Saipem Campaign for Vendor Social Responsibility

Following on from the project initiated in 2011, in 2013 Saipem was once again involved in the campaign to assess compliance with Social Responsibility in its supply chain. Twenty-four vendor operating sites were visited (up 26% compared to 2012), with the aim of gathering information on the conduct of

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

The following table summarises the three years of the campaign.

NUMBER OF VISITS	2011	2012	2013	Total
India	10	8	7	25
China	6	6	12	24
South Korea	-	2	-	2
Brazil	-	2	3	5
Others	1	1	2	4
<b>Total</b>	<b>17</b>	<b>19</b>	<b>24</b>	<b>60</b>

Results of the visits are given in audit reports provided annually to the Sustainability Committee. In areas where criticalities were encountered during audits, Saipem requested a series of improvement measures. By way of continuation of the 2012 campaign, in order to verify the status of the improvement actions proposed, two follow-up meetings were held. Analysis of the results substantially confirms those of

the previous campaigns in 2011 and 2012, with areas for improvement identified mainly in the management of HSE activities and Remuneration.

Saipem further confirms that no significant problems were encountered in relation to juvenile labour and forced labour and, generally speaking, there were no instances of discrimination and exploitation, or problems linked with the freedom of association.

## FOCUS ON VENEZUELA

### Local Vendor Forums



The development of Local Content is a guiding principle for Petrex. Local vendors are key partners in the development of operations and through Vendor Forums the Company shares its business culture and management tools, thereby making it possible to work together with Vendors in a more fluid and harmonious way.

**58%**

OF ORDERS WERE FROM VENEZUELAN SUPPLIERS WITH WHOM A FRAME AGREEMENT HAS BEEN SIGNED

**974**

QUALIFIED VENDORS

In Venezuela, representatives of 32 local companies attended the Forums, held on Petrex's El Tigre and Ciudad Ojeda bases. They learned about Petrex's operations and management systems and about the tools needed to comply with labour legislation and Client requirements. Petrex's representatives were also able to learn from the experiences and opinions of suppliers and can now work towards implementing improvements in their relations with them. This transformed the event into a win-win situation, where both the organisers and the attendees gained valuable knowledge for their future management activities.



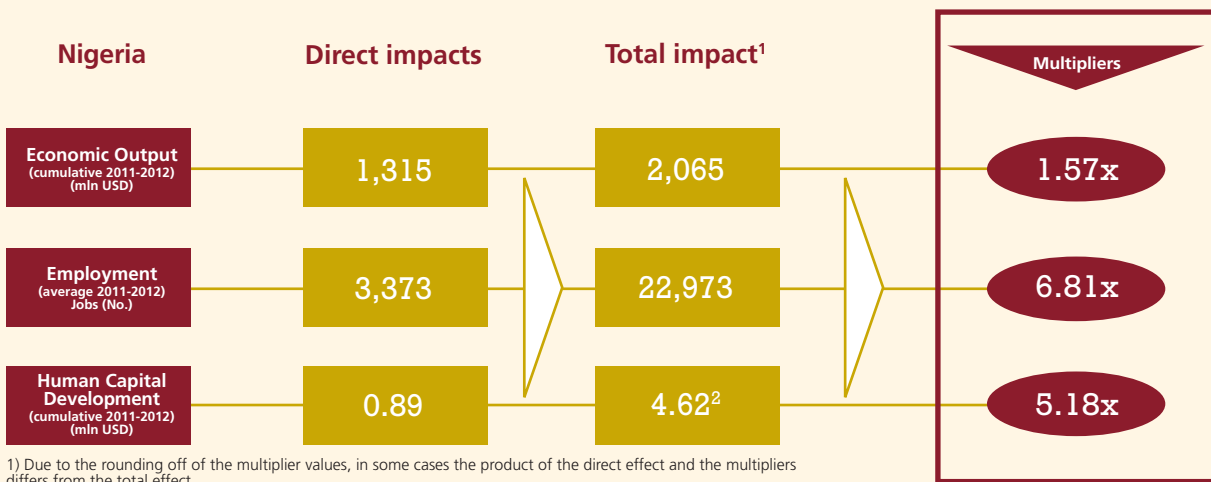
# Measuring the socio-economic footprint generated by Saipem's Local Content strategy

Since 2009, Saipem has applied the Saipem Externalities Local Content Evaluation (SELCE) Model in order to quantify the positive effects of its activities on local economies and societies by calculating the direct, indirect and induced effects of operations. The Model has been applied to different countries where Saipem operates or to projects Saipem is executing, according

to priorities and business needs. In each of these countries, results show that Saipem's operations have provided positive gains far above any direct impact. This underscores 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 local populations.

In 2013, the SELCE methodology was applied in Nigeria, Saudi Arabia, Indonesia and on the GLNG project in Australia.

**Nigeria**  
Following the first study conducted in Nigeria in 2011 for the period 2007-2010, results were updated in 2013 to assess the socio-economic value created by the Saipem Group



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.

## Focus on methodology

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

- economic output: the overall financial impact generated by the payments made by Saipem and its suppliers to finance locally-sourced operating expenses, wages to employees, and taxes;
- employment: the total number of jobs derived from Saipem's operations, including direct employment but also jobs generated along the supply chain and those generated as a result of increases 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.

For each category, the direct, indirect and induced

effects are calculated.

For 'Economic Output' and 'Employment', the direct effect is the one generated directly by Saipem (i.e. direct employment, direct purchasing from local vendors and any taxes paid to local government), while the indirect effect is related to the value generated in the economy along Saipem's supply chain. The induced effect is the value Saipem's operations generate as a contribution to the increase in household consumption levels thanks to job opportunities promoted by the Company and its vendors. It is calculated on the basis of regional and national macroeconomic data and parameters. For 'Human Capital Development', the investment in training generates an increase in the future earning expectancy of the people trained (indirect effect) and an effect in the local economy due to the increase in household consumption levels and taxes associated with the trained employees due to their increased earnings (induced effect).

# saipem contributions

in the period 2011-2012. Results of the SELCE study demonstrate that Saipem operations have contributed constantly to the generation of important positive socio-economic impacts, hence to long-term development in terms of wealth, skills and entrepreneurial capacity. The Company's contribution to Nigeria's GDP has grown over the years. It accounted for 0.18% in 2007 and 0.40% in 2011. It remained high in 2012 at 0.31%, despite an increase in the country's GDP and the completion of some operations.

As regards economic output, results show that the Saipem Group's contribution to the Nigerian economy in 2011-2012 was 1.57 times direct expenditure in terms of local purchasing, salaries and taxes, with a total impact of 2,065 million USD. 65% of the total economic output was generated in the Rivers State (where

along the supply chain mostly benefit sectors such as subcontracting, transportation, logistics and equipment rental.

The investment in training for Nigerian employees over the period 2011-2012 generated a cumulative value of 4.62 million USD, calculated over a 5-year timeframe. For each dollar invested by Saipem in Nigeria in the training of its local employees, an additional 4.18 dollars, calculated as increased life-time earning expectancy, was generated within society.

## Saudi Arabia

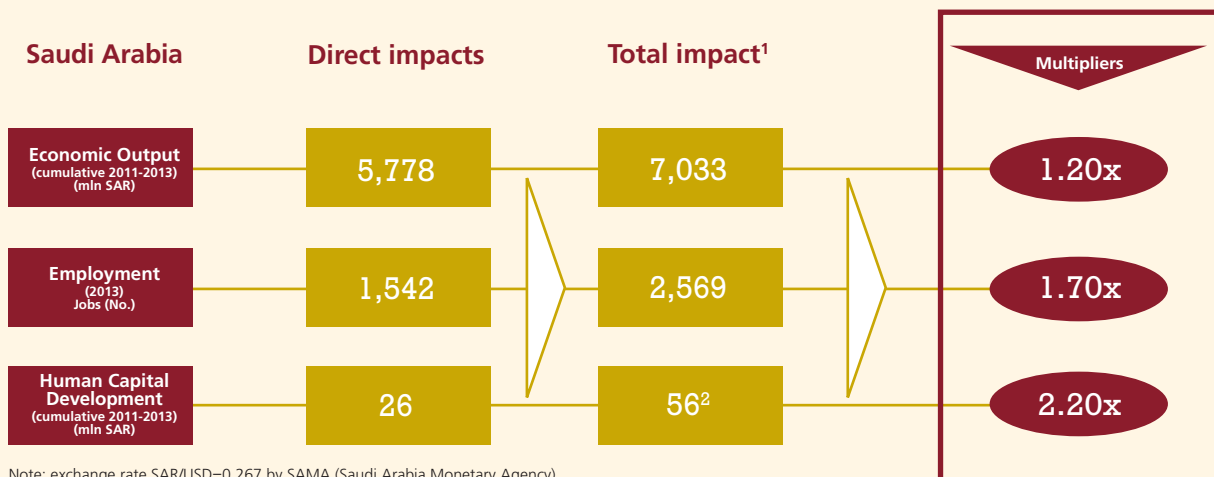
The study covers all Saipem Group Operating Companies in Saudi Arabia (Saudi Arabia Saipem, Snamprogetti Saudi Arabia and STAR) in the years 2011, 2012 and 2013.

In 2011-2013, Saipem Group operations in Saudi Arabia generated a cumulative local economic value of about 7,033 million SAR

value created, accounting for 4,222 million SAR (about 1,127 million USD). The employment figures for 2013 show a value of 2,569 Saudi jobs created directly, indirectly or induced. Eastern Province is again the area that benefits most, accounting for about 43% of the total jobs created.

In addition, the Saipem Group is stable in the green zone of the Nitaqat System with a higher than 20% ratio of national employees vs. total company employees in the last 3 years. Specifically, it is worth noting that the results of Saipem drilling operations reached a Saudisation percentage of higher than 40% in the period 2012-2013.

The Saipem Group's cumulative investment in training activities for Saudi employees created a total economic value of 55.7 million SAR (14.9 million USD) in the Kingdom's socio-economic context.



Note: exchange rate SAR/USD=0.267 by SAMA (Saudi Arabia Monetary Agency).

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.

the Rumuorlumeni Fabrication Yard is based), while 11% was generated in the Lagos State.

Employment figures for 2011-2012 show a yearly average of 22,973 jobs created directly, indirectly or induced. The multiplier indicates that for each job directly created by Saipem in Nigeria, about 5.81 additional jobs were created as indirect or induced jobs. 66% of total employment impact generated by Saipem in Nigeria is created in the Rivers State, while the contribution to the Lagos State is 10% of total employment. Jobs created

(approximately 1,430 million USD).

The overall impact was 1.2 times the direct effect, meaning that for each dollar Saipem spent in the local economy an additional 0.2 dollars were generated.

The highest contribution to Saudi Arabia GDP from Saipem Group operations occurred in 2012, accounting for approximately 0.1% of the country's GDP.

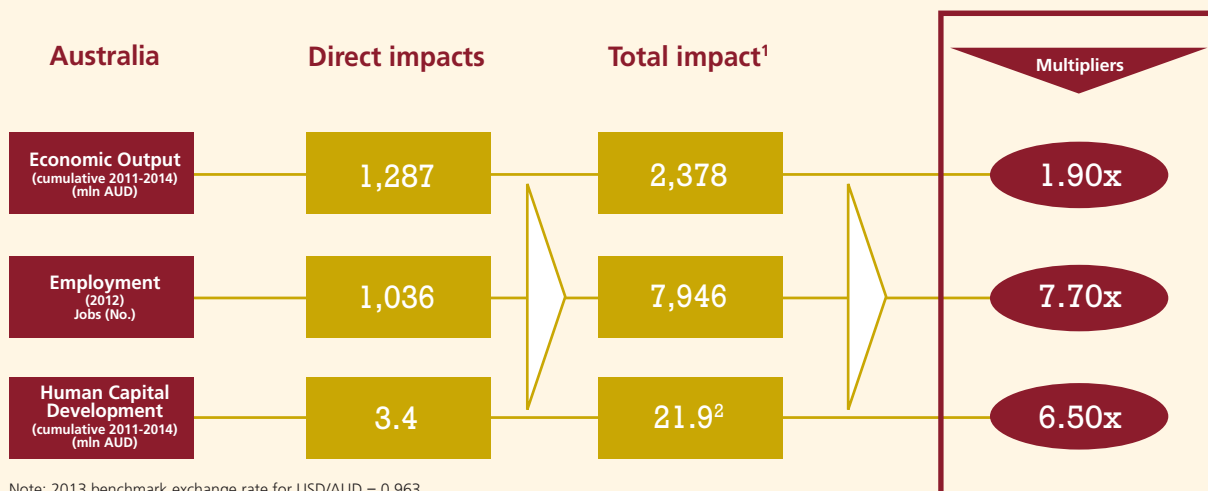
Eastern Province, where the majority of Saipem's operations are ongoing, benefits most from the 60% of total Saipem Group local economic

## Australia

The study covers the GLNG Gas Transmission Pipeline Project whose objective is to connect the gas fields from Bowen and Surat Basins to the Gladstone LNG Plant located in Curtis Island, Queensland.

As the scope of the analysis is the entire GLNG Pipeline Project, the study includes the value created by both Saipem and the Client between 2011 and 2014 in the engineering, procurement and construction phases of the project.

In 2011-2014, the GLNG Pipeline



Note: 2013 benchmark exchange rate for USD/AUD = 0.963.

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.

Project investment generated a cumulative local economic impact in Australia of 2,378 million AUD. GLNG's highest contribution to the national economy was in 2012 and 2013, accounting for about 0.04% and 0.07% of GDP, respectively. The overall impact was 1.90 times the direct effect, meaning that for each AUD injected into the Australian economy there was a ripple effect along the supply chain which generated an additional 0.90 AUD in the country. Queensland benefits from 79% of the total local economic impact of the GLNG project. The highest GLNG effect on employment was in 2013, with almost 8,000 direct, indirect and induced jobs created. Queensland State benefited from the 68% of the total local employment impact relevant to the GLNG project. As regards Human Capital

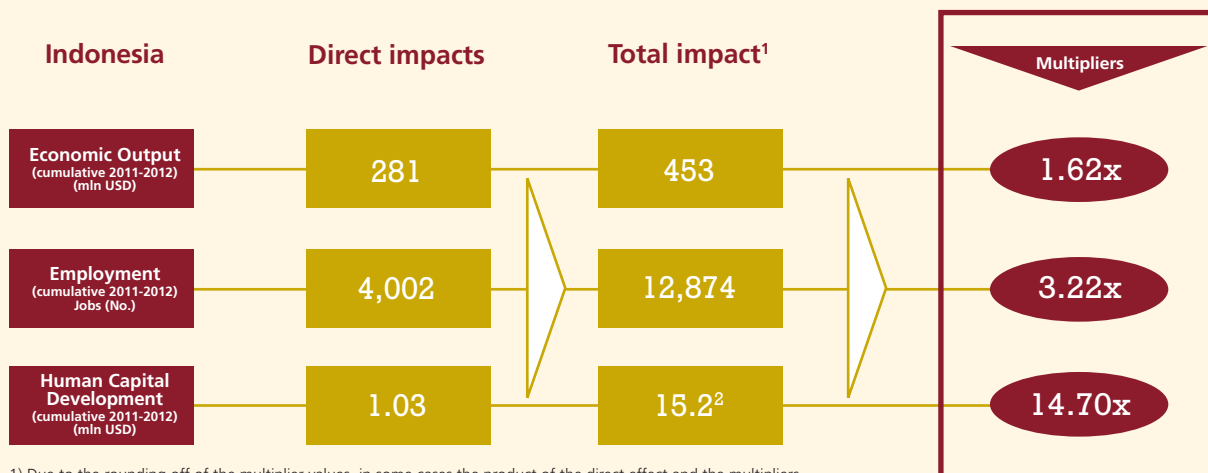
Development, cumulative training expenditures during the GLNG Project will generate an economic value of 21.9 million AUD.

#### Indonesia

An initial study was conducted for the Karimun Yard development project considering the period 2007-2011 (published in Saipem Sustainability 2012). In addition, an overall study for all operations in Indonesia was conducted in relation to the period 2011-2012. The results of this second study are reported here. The total economic impact of Saipem's activities in Indonesia was found to be around 453 million USD, comprising direct, indirect and induced effects. Its comprehensive contribution was about 1.62 times direct expenditures, meaning that for each US dollar Saipem spent in Indonesia, an additional 0.62 USD

was generated in the local economy. Saipem's operations accounted for 0.03% of the country's GDP in 2011 and 0.02% in 2012.

The cumulative employment figures add up to 12,874 jobs created directly, indirectly and induced. The multiplier indicates that for each job directly created by Saipem in the country, an additional 2.22 jobs were created as indirect or induced. Jobs created along the supply chain mostly benefited sectors such as subcontracting, general services, catering and accommodation. Investment in training for local employees generated a cumulative value of 15.2 million USD in the country. For each dollar Saipem invested, there was an additional value generated in society of 13.7 dollars, calculated as increased life-time earning expectancy.



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.

# Competency as a business driver

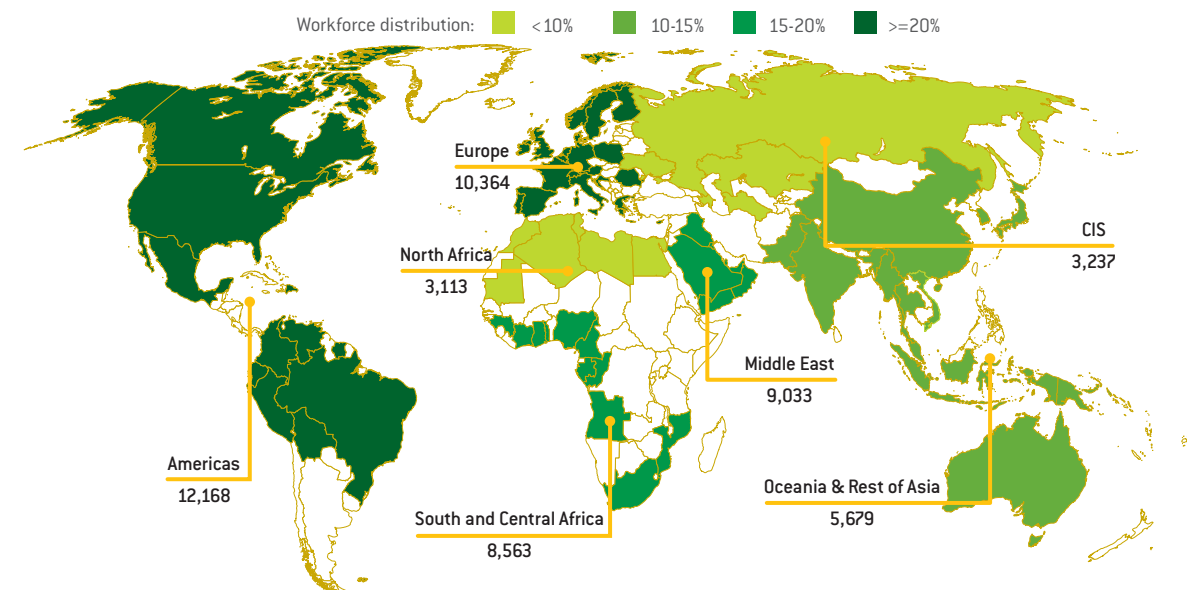
2013 saw the dissemination of the People Strategy to support business plans in the activities of selection, training and development. In keeping with this project, the Company is continuing with the Employee Value Proposition (EVP).

## The EVP put simply

The 'Employee Value Proposition' can be defined as a tacit contract that regulates the relation between the Company and its employees. It sets out what Saipem can offer and what it expects in exchange. Among the characteristics needed in order to grasp the opportunities that arise for personal growth and career advancement, the first is a passion for the industry in which the Company operates. We can add to this the fact that Saipem is present on all 5 continents, operates in 71 countries and has employees from 126 different nations. An openness to other cultures and to mobility will therefore make it much easier to grasp opportunities for development. Saipem guarantees its employees the possibility of gaining experience in a company that is on the cutting edge of technology and is a leader in its sector. Our development model has the employee as a central actor and rewards proactiveness. Each one of us should be capable of being a key player in their own career development and hence of evaluating their own weaknesses before asking to take part in a training course or putting themselves forward for in-house vacancies.

*Monica Toffanin, Head of Recruitment, Development, Training and Organisation at Saipem SA*

## WORKFORCE DISTRIBUTION



Out of a total of 52,157 employees at the end of 2013 (an increase of more than 7% compared with the previous year), more than 40% work in the Americas and in Europe. The rest is distributed quite homogeneously in the other geographical areas of operation. More details on Saipem's workforce are available in the Addendum attached to the Annual Report.

The EVP is the overall work experience promised by Saipem to current and potential employees in exchange for their performance and participation in the Company's project through the planning of further opportunities for sharing with Top Management and with employees of the Company's HR departments overseas. Sites have also

been set up to enable the construction of multimedia tools for the distribution and communication of the EVP and the integrated model of personal development used by Saipem. These tools are designed for an audience both inside and outside the company.

**Empowering local personnel...**

I am part of the Katyavala Training Centre staff of the Saipem Drilling Business Unit in Angola. I am fully aware of Saipem's ongoing efforts to create and implement training initiatives to empower its local personnel with the technical knowledge and skills required to develop their competencies in a variety of domains, from administration to technical and managerial levels. And this is what the Centre does.

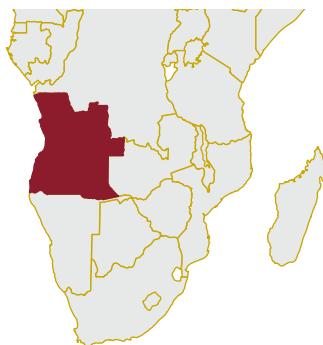
**... in a multinational environment**

Belonging to an international and multicultural company, I have a chance to meet people of different cultures and professional backgrounds. By interacting with them, I can develop competencies and professional skills which I would not be able to enhance outside such an environment. In short, being part of a multicultural company allows you to leverage individual experiences and share best practices acquired from previous jobs in the industry.

*Ernesto Nuno, Deputy Manager, Katyavala Training Centre, Saipem SpA, Angola*

**FOCUS ON ANGOLA**

**Saipem Training Centre in Luanda**



**3,207**

PEOPLE EMPLOYED  
IN THE COUNTRY

**73,128**

TRAINING MAN-HOURS  
DELIVERED

**1,406**

OF WHICH ARE LOCAL

**1,969**

PEOPLE HIRED THROUGH  
EMPLOYMENT AGENCIES

A new Training Centre was set up in May 2012. Its priority is to ensure proper integration of employees in key positions in line with the Company's 'Angolanisation Plan', Competence Development Plan (CDP) and National Human Resources Policy objectives. Saipem Training Department in Luanda is in charge of organising and implementing all training related activities. There are eighteen courses in the catalogue, among which Technical, Offshore Safety Induction and Languages. Depending on their complexity, courses are delivered internally and/or outsourced. In 2013, the Training Centre increased its internally taught modules on drilling techniques from three to four. These train drilling personnel in categories such as Floorman, Derrickman and Assistant Driller. Languages are also taught internally. English (mainly for local employees) is considered essential for a correct use of Corporate tools and effective communication within the Group. Portuguese is provided for expatriates in order to facilitate know-how transfer to local employees. For specific training, the Centre has identified six local Educational Institutes accredited by MAPTSS (Ministry of Public Administration,

Employment and Social Security) essentially for technical courses targeted at local employees. In addition, for specialised training and STCW 95 Maritime Certification the Company may certify its employees in Cape Town University, Eni Corporate University and the Maplo Training Centre in Brazil. To support and assist the training and development of Angolan maritime officers and shore staff, the Training Centre is strategically developing a frame agreement with the Maritime Academy in Angola (CFMA), established to oversee accredited maritime training in the country. Since the creation of the Training Centre in 2012, several training activities have been performed totalling 11,333 training hours (84% internal). 310 workers have been trained and 2 scholarships have been developed with local universities. In addition, a team of permanent English teachers stays onboard Saipem offshore units to reinforce training. 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 activity up to 20 courses is planned as part of ongoing improvement.

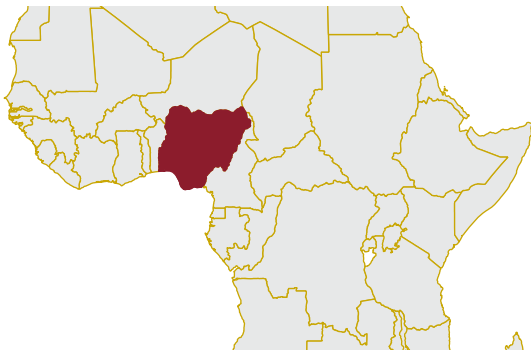
### Developing local competencies

I started work in Ersai as a pipe fitter in 2008, then moved to the Quality department as a technical clerk. In May 2013, I was invited to take part in Non-Destructive Testing (NDT) training. Criteria for the selection of candidates were good performance, Kuryk residency and several years of work in Ersai. I was successfully enrolled onto this programme and went with two of my colleagues to Karaganda for NDT training. We were instructed on different NDT methods and I passed the exam. After arrival back from training, we started to work as NDT technicians in the Ersai NDT laboratory. I like my job and my supervisor continues to give me a lot of training. I would like to thank the Ersai management for giving me this opportunity to improve my qualifications.

*Nazarov Yerkin, NDT technician, ER SAI Caspian Contractor LLC*

## FOCUS ON NIGERIA

### Community training programme



According to the Memorandum of Understanding signed with Rumuorlumeni communities, located close to Port Harcourt Yard, every year Saipem trains 40 local youths with a view to developing local human capital and promoting the development of technical skills. Results achieved in the

period 2010-2013 are as follows.

Saipem vocational training focuses on welding and pipe fitting, in line with the Company's business activities.

Several topics are covered, including:

- **Pipe Welding:** Structural Welding, 1G Floor Welding, 2G Horizontal, 3G Vertical, 4G Overhead, Pipe Welding, 5G 45 degree and 6G 90 degree Welding.
- **Pipe Fitting:** General Introduction to Pipe Fitting, Tape Reading, Hand Tools and Application, Power Tools, Identification of Fitting Materials, Drawing and Detail Sheet, Trade Maths, Structural Frame Work, Alignment and Fabrication.

In addition, Saipem organises vocational training for youths in communities where the Company is present or executes its projects. In 2013, 59 youths from the NOPL Project began training in 5 categories: Pipe Welder, Pipe Fitter, Mechanical, Electrical Technician and HSE.

Year	Training hours performed	No. of participants
2010	28,936	44
2011	54,441	66
2012	43,208	40
2013	40,648	40

#### Internship programme

Saipem Contracting (Nigeria) Ltd (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, Science and Humanities.

The trainees follow a programme schedule set by their various departments and receive stipends during their internship period. Since 2004, the programme has involved 28 universities, 15 polytechnics and 12 trade institutions with over 370 students and a total of more than 338,500 man-hours. In 2013, SCNL had 56 interns for a total of 53,649 man-hours.

#### Skills and the road to excellence

Over the years, Saipem has changed its approach towards its employees. In the past, the development of technical skills was based solely on 'on-the-job training', whereas now it is supported by excellent training courses in the classroom. Furthermore, Saipem has given me the opportunity to work on a wide variety of projects, thus diversifying my technical knowledge.

*Cinzia Bassi, Civil Engineering Organisational Contact, Executive Projects, Saipem SpA. In Saipem since 1983*

**2.6 mln**

TRAINING HOURS WERE DELIVERED TO EMPLOYEES AND SUBCONTRACTORS

**22,411**

EMPLOYEES ARE COVERED BY PERFORMANCE EVALUATION TOOLS

**12%**

OF SENIOR AND MIDDLE MANAGERS ARE WOMEN

**3,118**

NUMBER OF SKILL MAPPING EVALUATIONS PERFORMED

### A challenging working environment

After joining Saipem in May 2010, I felt immediately supported by a culture that values workplace diversity, where teams work together across geographies and business-lines to deliver state of the art projects. I was proud to be part of a monster organisation that bids from Chennai, designs from Milan, procures from Shanghai and finally builds in Algeria! I am part of the HSE and Sustainability team, I have proudly contributed to the good execution of Saipem Projects in Algeria, the implementation of the HSE Management System in Sharjah (UAE) and I am now part of a challenging engineering project team in Milan. My luck was to answer to visionary managers that quickly recognised my potential and invested substantially in my personal development to help me face this challenge called Globalisation. I've attended a wide range of technical and non-technical training at different locations around the world, developing a fantastic network that keeps me passionate about my job, every day a little bit more. Thanks to the career path drawn by my managers, I feel challenged every day, which is the best indicator of growth.

*Nassim Beneddine, Project HSE Engineer, Saipem Contracting Algérie SpA*

### 'QHSE MASTER' COURSE IN ORAN (ALGERIA)

Designed by Saipem in conjunction with lecturers from the University of Sciences and Technology of Oran (USTO) and with the close collaboration and involvement of Eni Corporate University (ECU), the 'QHSE Master' course provided a basic theoretical and practical background on the new global Quality Management and HSE procedures as well as an understanding of their application in the Oil&Gas industry. The programme received approval from the Algerian Ministry of Higher Education in 2011. The main areas of teaching were:

- Introduction to the Oil&Gas industry: understanding activities, projects and the sector in general.
  - Safety at Work and in Operations: learning how to work in a safe environment and the standards and procedures to apply.
  - Viability and Maintenance: permanent control over machines, turbines, pipes and all materials deemed crucial for the success of a project.
  - Quality and Innovation: the importance of quality control in operations and the search for alternative and innovative actions and tools to guarantee the Company's competitiveness.
  - Environment Management: being able to identify potential impacts on the environment and set up procedures and actions to eliminate or minimise them.
  - Project Management: essential for each young graduate willing to work in the Oil&Gas industry.
  - Multicultural Diversity & Team Building: considering that Saipem employees people from 126 different nationalities, all employees must be receptive to the culture of others.
  - English: reinforcing knowledge of the language most widely spoken in Saipem and required for different nationals to communicate.
- Students also undertook work experience on a Saipem project to enhance their practical knowledge of HSE. The final internship dissertation (February-July 2013) was prepared either on technical issues encountered on site or on more theoretical matters, such as implementation of an HSE plan on a multicultural project. The first 'QHSE Master' course was completed in 2013 with 19 students graduating, 3 of whom were hired on the Saipem GNL3Z site in August 2013 for an initial 6 month contract. The contracts of 2 of these students were subsequently extended for a further 5 months in recognition of their good performance. The 'QHSE Master' course showed once again the importance Saipem ascribes to Local Content and to the proactive sharing of its experience with populations living in the vicinity of operating sites. For its part, the local university could offer its students an international perspective as well as recognised practices in Project Management and QHSE. Finally, the students gained a lot of knowledge and experience which will be a truly great advantage for them when they go onto the labour market in search of job opportunities in the QHSE field.

## Human Rights and Security Management

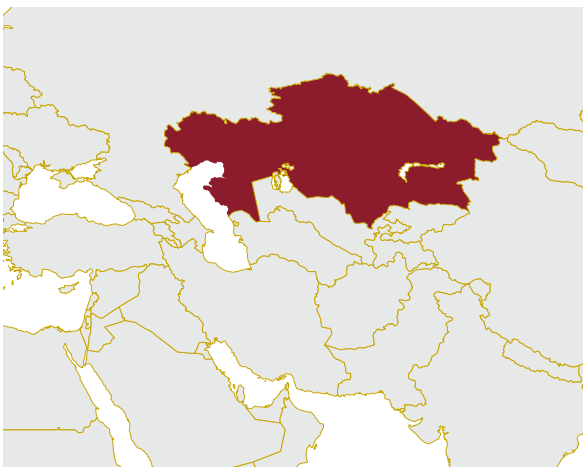
When managing security, Saipem gives maximum attention to respecting human rights; in other words, to those rights that are inalienable and universal, attributed through custom and international treaties to every individual, regardless of their citizenship, religion, social condition and any other discriminatory factors. These rights are usually divided into three categories: economic, social and cultural, and solidarity. Human rights are essential prerogatives for all human beings and the basis of a just and peaceful society. The primary responsibility for respecting, promoting and protecting human rights is held by nations; however, the 'Universal Declaration of Human Rights' requires that every individual and every organisation in society, including businesses, commit to promoting and ensuring recognition of human rights on a global scale.

Saipem's Security functions are therefore committed, at all levels, to implementing the following precautions when carrying out their operations:

- in contracts with security service providers, specific clauses regarding respect for human rights must be included. These must provide for the sanctioning of non-compliance with human rights by the termination of the security services contract. Said clauses must be added to the section disciplining the supplier's obligations and in the one covering contract termination;
  - preventive and defensive measures must be in place with a view to minimising the need for an active response by public or private security forces in the event of a threat to personnel and assets.
- To that end, Saipem establishes relationships with local

## FOCUS ON KAZAKHSTAN

### Marine Training



In conformity with Saipem's Local Content strategy, in 2010 Saipem Kazakhstan launched a long-term specialist marine training programme for young graduates in conjunction with the International Maritime College Oman (IMCO), one of the biggest institutes of higher education in the world. In keeping with Republic of Kazakhstan (RoK) legal requirements (Article 25, Nationalities of crew members) and the Local Content Development Programme, between September 2011 and September 2013, Saipem Kazakhstan sent 16 Kazakh graduates (6 Deck Officers and 10 Marine Engineers) for long-term study at the IMCO to master such specialisations as Nautical Studies and Marine Engineering. Saipem selected young graduates from the best universities in Kazakhstan. These had to pass through several stages of a selection process and be assessed on maths, English, attitude and motivation.

**2,559**

PEOPLE EMPLOYED

**1,440**

EMPLOYEES COVERED BY  
PERFORMANCE EVALUATION  
TOOLS

**68%**

OF WHICH ARE LOCAL

**51,855**

TRAINING MAN-HOURS  
DELIVERED

During the first 2 years (Diploma Programme), students attend specialisation courses and seminars, undergo classroom training and receive practical training in workshops, laboratories and on simulators. They also have to hand in assignments and make field visits.

The 3<sup>rd</sup> year involves apprenticeship, namely, a practical on-the-job training year at sea. Deck Officers learn to navigate, to manoeuvre and to operate the ship. They also practice firefighting, lifesaving, cargo handling and stability of the ship. Marine Engineers learn how the vessel engine and all other technical installations work and how to maintain them properly. An Individual Training Record Book (TRB) of competence performances is completed by each student on a daily basis so that IMCO tutors can evaluate them on completion.

During the 4<sup>th</sup> year Degree Programme, students work on their research and graduation project. Upon graduation students receive a Bachelor's degree and are involved in 5 years' work for Saipem in accordance with the terms outlined in the Training Contract.



law enforcers to share a commitment to respecting human rights and to implementing rules of engagement that limit the use of force and firearms.

In conjunction with Corporate and local Sustainability Teams, Saipem's Security function has launched a training programme with regard to human rights and security for local law enforcers and subcontractors working on Saipem sites. The first phase was delivered to Security and HR managers in March 2013. The primary objective of this programme is to promote human rights in every sensitive context and to ensure the integrity of personnel and assets. Specifically, Saipem's Security function aims to:

- demonstrate Saipem's commitment to protecting and promoting human rights and to setting down the boundaries of responsibility for said commitment in terms of the scope of work of projects awarded by Clients;
- make operators aware of issues regarding respect for human rights;

- show the potential impact arising from non-compliance with human rights directives on security operations and on operations in general;
- leverage the role that local stakeholders can play, each within their specific field of competence, in order to guarantee greater and more efficient protection of human rights.

**84%**

OF SECURITY CONTRACTS CONTAIN CLAUSES ON HUMAN RIGHTS

**48**

SECURITY ASSESSMENTS WERE CARRIED OUT IN THE COMMERCIAL PHASE

## FOCUS ON CONGO

### Supporting Education Development



On February 16, the Expo-Exhibition for Educational Orientation was organised in Pointe Noire by Total, with the participation of the main Oil&Gas contractor companies. The event was targeted at students in their final school year (Post Bac), with the objective of inspiring them to continue studying for a professional career after their secondary studies. A total of 400 students attended from Lycée Victor Augagneur, Lycée de Mpaka and Lycée Poaty Bernard.

Several educational bodies presented careers and advantages and the main Oil&Gas contractor companies explained their operations and the professional profiles required. Boscongo, a Saipem subsidiary in Congo, was introduced as the main company in engineering and construction of onshore and offshore modules for the

**495**

PEOPLE EMPLOYED

**11,605**

TRAINING MAN-HOURS DELIVERED

**234**

OF WHICH ARE LOCAL

**1,014**

PEOPLE HIRED THROUGH EMPLOYMENT AGENCIES

Oil&Gas industry, and the Company stand presented Welding engineering activities, HSE & Sustainability activities and HR activities.

The head of welding works in Boscongo explained welding methods, evaluation of engineering designs and management of technical staff. Technical staff of the Welding department, assisted by one welder and two pipe fitters, then illustrated the differences between welding machines, equipment installation techniques and HSE measures needed to work safely.

The Boscongo HSE System leader discussed the importance of HSE Management Systems in all companies, highlighting risk analysis techniques, emergency response procedures, HSE office roles and responsibilities and professional profiles suitable to apply for this type of job.

A representative of the Social Affairs department explained recruitment procedures in Boscongo and the different jobs available, and provided an overview of the Company's organisational structure.

### The Saipem training offer and the management of know-how

I joined Saipem in 2007 and it wasn't long before I realised that quality and professionalism are the cornerstones of our Group's success.

Training that relies on the use of internal resources is a tangible sign of a growing maturity and a virtuous awareness and appreciation of Saipem people, the custodians of expertise, capabilities and potential that guarantee the success of the business day in and day out. I became coordinator of Schiedam Training Center in January 2013, following an optimisation project. It is a task that demands my undivided and all-encompassing involvement and my appointment filled me with a mixture of satisfaction, pride and uncertainty about what was expected of me.

Saipem Training Centres are global hubs that ensure an internal stronghold of Saipem knowledge whilst promoting training, packaged according to the needs of the professional category.

They provide a focus on quality, research and continuous innovation to guarantee an excellent service capable of responding to business needs. This will continue in the future. Indeed, beginning in 2014, our team efforts will be focused on promoting the Training Centre through institutional initiatives, learning programmes and onboarding activities that facilitate increasingly international networking. The entire team at the Training Centre would like to ensure respect for the multinational dimension while at the same time paying close attention to local specificities and the creation of a skills culture common to the Group.

*Kostya Tomashpolsky, Training Coordinator, Schiedam Training Centre*



### THE MARITIME LABOUR CONVENTION 2006: A LANDMARK DEVELOPMENT FOR THE WORLD'S MARITIME WORKERS

On February 23, 2006, when the International Labour Organization (ILO) adopted the Maritime Labour Convention 2006 (MLC 2006), maritime workers, governments, seafarers and shipowners all hailed it as a landmark development for the world's most globalised sector. The Convention is an international tool that sets down the minimum requirements governing the working and living conditions of seafarers under five headings:

- 1) minimum requirements for seafarers to work on a ship;
- 2) conditions of employment;

- 3) accommodation, recreational facilities, food and catering;
- 4) health protection, medical care, welfare and social security protection;
- 5) compliance and enforcement.

According to these provisions, the Company must demonstrate that Convention standards have been met by its ships through the establishment and implementation of a Maritime Labour Management System integrated with measures for ongoing compliance with Convention requirements and

with the national provisions of the applicable flag state (Declaration of Maritime Labour Compliance Part II). In its commitment to complying with International Maritime Regulations, and to guaranteeing fair working conditions for all its employees, Saipem drew up and implemented a compliance plan which aimed to achieve MLC 2006 Certification. In August 2013, this target was reached across all applicable Saipem vessels<sup>1</sup> and represents a benchmark for the continuous improvement of Saipem's maritime sector.

(1) MLC 2006 applies to every ship of 500 GT or more engaged on international voyages or that operates from a port or between two ports of another Member State. Castoro Sei Certification is planned for February 2014 due to vessel upgrading.

### Developing competences and skills

In order to implement the Angolanisation Plan, a process initiated by Petromar to transfer expatriate job positions to Angolans, the Human Resources department selected the most suitable candidates and planned and implemented training sessions in and out of the country. Training is very important for the gradual transfer of know-how to local employees. I started working with Petromar 11 years ago, as a Management Assistant. I was given the chance to learn and consequently climb gradually within the organisation. I subsequently became a quality coordinator for Petromar and Kwanda Base. To improve my skills, I went to Paris for one month for on-the-job training. In 2009, I received a proposal to work as logistics coordinator for Petromar and I agreed. I was chosen to be part of the Angolanisation process and this enabled me to attend several training courses in Saipem SpA (Eni Corporate University), Portugal and Angola, and to follow an on-the-job training programme with a tutor. From this process I gained a lot of experience and endurance and improved my leadership and management skills significantly. One year later the manager offered me a new challenge to become logistics manager of Petromar in Angola.

*Catia Jamece, Logistics and General Service Manager, Petromar*

## Reinforcing the responsibility of vessel supervisors in HSE

Being a supervisor brings with it several challenges. Apart from managing themselves and their activities, supervisors also manage a number of individuals of different ages, nationalities, cultures and educational backgrounds, ensuring their safety and well-being, sometimes helping them to manage problems, and working with them to overcome the difficulties encountered in the drive to achieve a common objective. The harsh reality is that the most common cause of accidents involving Saipem personnel is lack of proper knowledge of and failure to use the Company's operational and HSE tools. Data indicate that many of these accidents also directly involve experienced supervisors. To address this situation, two workshops were organised in Paris by Saipem, attended by over 150 participants, more than 110 supervisors, 30 vessel management teams and 9 senior management representatives. Each workshop lasted a day and a half. The first workshop took place on October 2-3, and the second on December 3-4, 2013.

Offshore vessel supervisors had the opportunity to meet vessel and company management outside their normal working environment and to talk about their responsibilities and expectations. Through practical exercises, the workshops provided insights into the supervisors' perceptions of their own role and the role and responsibilities of key vessel figures such as Master, Superintendent and HSE Engineer.

The aim of these workshops was to make supervisors realise exactly what their role and responsibilities are. They were reminded first and foremost that they are managers of a team of people with whom they have to

carry out an activity. The second element reinforced was that each such activity starts with proper planning, preparation of tools, risk analysis, correct use of HSE management tools, workplace inspections, and communication with the team members under supervision to confirm they are fully aware how to perform their duties. The Company expects all of these tasks to be carried out before operations commence. This is what becoming a responsible supervisor really means.

Through re-enacting an incident and analysing the causes of the event, supervisors were reminded of the importance of safe workplaces and also that they have the authority to stop works if a situation is deemed unsafe and to empower their teams to act accordingly.

The workshop was organised in a dynamic atmosphere that encouraged dialogue and proactive thinking, stimulating self-awareness through continuous exercises, experience-sharing and creative tools, thereby stimulating individual and collective commitment.

The welcome speech by representatives of Saipem Senior Management on the first day, and their presence during the activities of the second day, reinforced the key messages of the workshop and helped supervisors to develop a different understanding and to clarify the issues raised during the various exercises and discussions. Feedback from the supervisors at the end of the workshops indicated that they now realised what the differences are between their perceptions of their role and the actual role itself. They said that they were very pleased to have had the opportunity to discuss the challenges they face every day both with their direct management and with Company management.



## Human resources management



Saipem has been operating in Brazil since 2002 under the name of Saipem do Brasil. The increase in staff over the years is the best indicator of the Company's business strategy in the country. The aim is to break into the promising, yet complex and challenging Brazilian Oil&Gas market.

The strategy was further strengthened with the construction of a new fabrication yard in Guarujá/SP, in the southeast part of the country. This began in 2012 and the yard began operating in 2013.

The Company regards its local staff as a strategic asset for whom it implements specific, pro-active and continually evolving policies. It does so in a labour market that, despite the large regional disparities and the general economic slowdown that occurred in 2013, has been experiencing considerable growth in recent years, both in terms of employment and average wage conditions.

Saipem do Brasil collaborates dynamically with local universities in Rio de Janeiro, Santos and Guarujá in order to promote the Company and carry out targeted and active

recruitment drives for talented youths to meet its staffing requirements. The development of its people is carried out for the specific purpose of investing in every element of society, with a particular focus on local management positions. Leadership capacity-building is considered vital for consolidating and strengthening the accountability of employees in the Company in general and in their respective roles in particular. Senior managers are asked to work on their daily relations with the managers that report to them in order to develop and hone their skills, primarily managerial. This forms part of a wider personnel management programme which invests in people, as highlighted in the training activities for ship crews and project operational personnel. Through the First Steps Programme, the Company offers opportunities to young students or recent graduates aged between 14 and 24 who live in the regions where activities are carried out. Participants carry out theoretical and practical activities and perform administrative or operational functions for a period of 6 hours a day. In this way, they get first-hand experience of the challenges involved in working at an international company and develop the means to enter the professional market.

The high percentage of women both in the office and in an operational capacity is the result of the Company's equal opportunities policy. Employees benefit from prospects for personal growth and development, as well as from the welfare mechanisms in place, such as financial support for childcare for the children of employees.

Equal opportunities policies are also applied to employees with disabilities in order to promote their integration over and above legislation in a context of people management based on the person's work capacity and their potential contribution to Company objectives.

### INDUSTRIAL RELATIONS

Saipem's model of industrial relations focuses primarily on ensuring relations with trade unions that are fair, transparent and compliant with the international conventions and transnational agreements that the Company has signed. It also involves ensuring the optimal management of relations with trade unions and employers' associations, as well as with political institutions and public bodies.

January saw the renewal of the national collective labour agreement for the Energy and Oil sector, the contract under which the majority of

the Company's Italian resources are employed.

In international industrial relations, 2013 witnessed the signing of important collective labour agreements for Engineering & Construction sector workers in Angola and Mexico and Drilling sector workers in Nigeria. In July, Saipem Beijing Technical Services Co Ltd of China signed a collective labour agreement after the growth registered in the workforce made the formation of a representative committee possible under local legislation.

In view of the impending conclusion of drilling operations in Algeria, in 2013 a detailed meeting was held with the union to define methods for

handling the inevitable redundancies arising. In May, a strike involving 243 employees lasted a total of 16 days. However, negotiations led to an agreement with the union covering the Drilling sector.

At Saipem do Brasil the groundwork was laid for the signing of a new collective labour agreement for the workers employed in the Guarujá Yard, which is expected to take place in early 2014. Negotiations in both Algeria and Brazil involved changes to the content of the collective agreements to bring them in line with the applicable legislation, with the Company operating in full respect of the workers' freedom of association and trade union prerogatives.



Agostino Napolitano, 'Three quarter', UAE

# Partnering with local communities

**Saipem's strategy for building relations with local communities is one which aims to deliver mutually beneficial results based on a context-specific and business-driven approach.**

Working on various types of projects in so many different places around the world necessarily implies interaction with several different languages, cultures, traditions and beliefs. But Saipem adopts an attitude of mutual respect and constant dialogue wherever it goes. This allows the Company to concretise its commitment to build fruitful relationships with local communities in the places where it operates. According to the nature of the business it is conducting, and depending on whether one is dealing with a long-term or short-term presence, Saipem drives relations with local communities towards common goals, in accordance with Client needs and the specificities of the context. To achieve this, Saipem avails of an organisation rooted in local communities, including local sustainability officers, regional and country supervisors and a dedicated team at Corporate level. It has also developed a range of appropriate tools to manage relations with local communities.

## Creating shared value

For Saipem, working together with local communities and their representatives to enhance the positive effects of the Company's presence represents an opportunity to perform business in a positive and supportive context. Saipem can attend to its Clients' demands by drawing on the competence and energy of qualified professionals recruited among local communities around the world and by gaining access to

well-organised and trustworthy economic operators from local markets. Saipem adapts this approach to each situation, depending on the nature of the activity conducted and on its presence as a short-term actor or permanent participant in the local socio-economic environment, developing context-specific strategies to enhance creation of shared value.

## Stakeholder engagement

To enhance the positive effects of its relations, Saipem endeavours to render local communities inclusive and participatory, employing dedicated tools, organisational resources and suitable techniques and methodologies, taking into consideration both local characteristic and Client requirements with the aim of ensuring the pervasive and effective engagement of all stakeholders involved. Typically, engagement is based first and foremost on a detailed mapping process. Subsequently, an appropriate engagement strategy is identified and implemented together with each stakeholder, based on possible expectations, interests and type of involvement. Finally, activities and results are monitored and assessed to improve this strategy over time.

This engagement strategy seeks to be an honest, transparent and fair way to promote the kind of positive and mutually beneficial relationships which Saipem has so successfully built over the years in many parts of the

Amilcare Berti, 'Sustainable growth', Angola

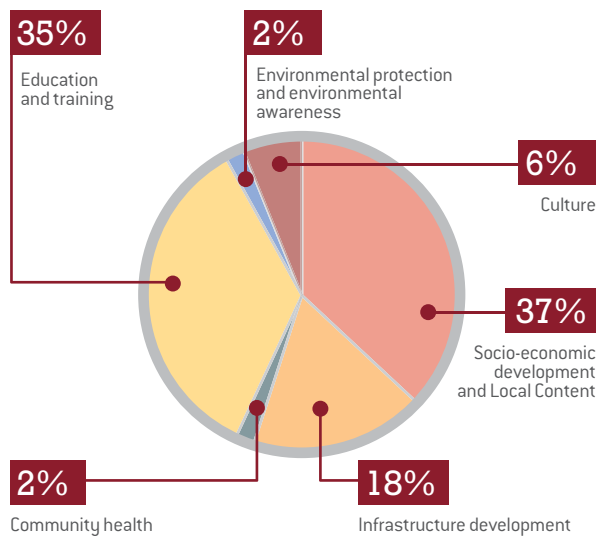


world, thus enabling long-lasting presence and successful implementation of projects and activities.

## A sensitive and committed community member

As a sensitive and caring member of the local communities in which it is based, Saipem makes use of its expertise and capacities to implement initiatives for local communities defined together with stakeholders on the basis of an inclusive approach and taking the local context and the nature of Saipem's local business into consideration. Initiatives are mainly focused on education and professional qualifications, health and the promotion of a healthy lifestyle, environmental awareness, and support for income generation (such as self-entrepreneurship). Management of community initiatives is conducted using specific project management tools, including careful administration of resources and activities, achieved thanks to detailed procedures and an organisation that includes locally based sustainability officers.

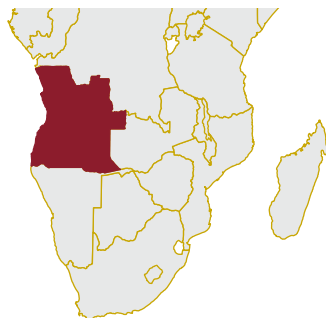
PERCENTAGE OF TOTAL SPENT FOR SUSTAINABLE COMMUNITY INITIATIVES BY AREA



Out of approximately €2 million spent on sustainable community initiatives, the main areas of intervention were education and training (€713,000) and socio-economic development (€757,000).

## FOCUS ON ANGOLA

### Little LiHS: spreading a safety culture to young generations



Little-Leadership in Health and Safety 'L-LiHS' is a special programme designed to train children in prevention measures to be applied at home or anywhere they happen to be. In addition, through the message 'Be Careful Daddy/Mummy' the workshop aims to harness the power of a mother's or father's love as a key device for children to reinforce the importance of their parents' attitude to safety at work. On November 23, 2013, 2 sessions were held in the Mediateca of Soyo Municipality for the children of Petromar Lda employees in Angola. Sessions are designed to be dynamic and include the interactive participation of parents and children by using cartoons, theoretical explanations and questions, quizzes, painting and drawing. The themes presented included:

- Personal Protection Equipment: to reinforce the safety behaviour of Petromar workers through 'Take Care Daddy' messages from their own children.

- Attention to road traffic: particularly important considering the high number of road accidents in Angola. It teaches prevention measures and risks associated with roads, cars and traffic.
  - Personal hygiene: to reinforce good practices for personal hygiene protection in children and prevent illnesses.
  - Ergonomics: to teach children that they cannot lift heavy objects and to teach their parents the correct way to lift weight to prevent back and joint injuries.
  - Signals: to help children recognise the most important signs (prohibition, warning, information) and the risks associated with them.
  - Environment: to remind children of the beautiful environment in Soyo and the importance of protecting it.
- In conclusion, to evaluate the effectiveness of the training, all children were asked to prepare a drawing on the topics discussed. These will be hung in their parents' workplaces to remind them of the messages from their children. In total, 49 children participated and received a 'Little Leader in Health and Safety' certificate.

The event saw the participation of important stakeholders, such as representatives from the Municipality of Soyo, including the Director of the Education Department, and Chevron representatives including the Major Capital Project General Manager.

The next step will include the organisation of additional sessions targeted at all school students in Soyo.

## Engaging local stakeholders

### Reinforcing responsibility and a sense of ownership

For the 2013 annual Sustainability Plan, ER SAI Caspian Contractor LLC (Ersai), together with several stakeholders from Kuryk village (heads of educational institutions, health sectors, schools, kindergartens, etc.), appointed local people to take charge of the successful implementation of projects (in terms of supervision and monitoring of the execution of activities, verification of results, etc.) and the diffusion of information in relation to each local community initiative that will be launched with the support of Ersai. This has the objective of further involving local stakeholders and making them feel that they participate in and are responsible for the activities conducted, thereby increasing their engagement.

In December 2013, Ersai organised a public meeting in Kuryk village to report on sustainability initiatives carried out within the 2013 Ersai Sustainability Plan and to present the Sustainability Plan for 2014. As regards 2013, presentations were made directly by the above-mentioned appointees. The topics discussed were education, pre-school education, environment, social projects, sports and health. In the area of education and pre-school education, school Principals, the Head of the Karakian Department of Education, and the directors of the local kindergarten presented the educational projects carried out together with Ersai and the results achieved. Pictures were used to explain the situation before and after implementation of the projects.

As highlighted during the presentation, in 2013 more attention was given to reinforcing the skills and know-how of teachers and kindergarten employees than to improving education facilities. This was considered a significant step-up in the sphere of education and a good opportunity for Kuryk village in its entirety (see pages 46-47).

In the area of social initiatives, 'Women Support Center' results were presented by the Director of the local NGO involved in the project's implementation. The presentation included a description of the project, which comprised seminars and handicraft courses such as sewing for women. Results of the survey organised by the Center and information about the support provided in terms of juridical, employment and physiological help were also presented. The Head of the Employment Department of Karakian District, together with one participant from the project, gave a final summary of the results:

- 5 two-day craft training courses involving 30 women were held;
- 1 woman was employed;
- 1 craft fair was conducted and 1 craft shop is due to open;
- 1 six-day entrepreneurship training course involving 20 young people was held.

Sports initiatives were reported on by the Head of the Karakian Sport Department, while Health initiatives carried out in conjunction with Ersai were presented by the Head of the Kuryk Central Hospital.

At the end of presentation, one respected old resident of Kuryk village positively evaluated Ersai's performance in 2013. These public meetings have already become a tradition both for Ersai and for Kuryk stakeholders, but this year for the first time all presentations were prepared and delivered by Kuryk citizens.

### Cooperating with subcontractors to promote socio-economic development

The first Saipem Kazakhstan Branch (SAKAZ) sustainability meeting with local vendors and subcontractors was held on April 23, 2013 at Saipem's offices in Atyrau with the participation of SAKAZ Top Management. The meeting was attended by more than 10 key subcontractors.

The main purpose of the meeting was to achieve potential partnership with subcontractors, deliver SAKAZ sustainability results for 2012 and to introduce the plan for 2013. The key focus was on projects where subcontractors can participate, thus maintaining and improving a mutual long-term understanding and trust with vendors and subcontractors that work with and for Saipem Kazakhstan Branch. During the meeting, the Saipem Kazakhstan Branch Manager and QHSE & Sustainability Manager introduced the main principles of SAKAZ's sustainability policy.

KIOS, one of the subcontractors who attended the meeting, decided to cooperate with Saipem Kazakhstan Branch to contribute jointly to the improvement of quality when it comes to teaching technical skills.

On July 11, 2013 it handed over training equipment to Atyrau Oil and Gas Technical College during an official ceremony in accordance with Saipem Sustainability Plan 2013. Specifically, a Mobile Steam Plant (MSP) simulator was financed and includes laptop, projector, screen and training for the teacher who will use the software. The simulator will provide students with a real work environment in which to improve the professional skills required.

### Saipem do Brasil's relations with local stakeholders

In the complex, multi-layered and articulate socio-economic context in which the base of Guarujá is located, particular care has been dedicated to exhaustive, accurate and effective stakeholder identification and analysis. Saipem do Brasil stakeholders were engaged in an extensive involvement programme aimed at enhancing



mutual knowledge and improving the qualitative and quantitative impact characterisation and identifying the relevant actions to be taken. This process included workshops, interviews, meetings and direct data collection, through which Saipem do Brasil implemented a flexible and diversified approach to stakeholder engagement during 2013.

The main pillars of this commitment were:

- technology and innovation: the complexity and challenges of project operations in the Pre-Salt basins and the opportunities arising from the fact that CTCO (Centro de Tecnologia e Construção Offshore) is situated in a region like Baixada Santista, with a number of universities, and in the middle of Brazil's most productive economic region, is the background to the technological research and innovation underway. To bring this forward even further, the foundations were laid for engagement with universities and Clients for the development and implementation of research projects related to Saipem activities;
- human capital development: the strategy for this pillar is the business demand for a qualified workforce with critical skills that cannot be found on local labour markets, and the need of local stakeholders to be

part of value generation dynamics based not only on job creation, but also on the quality of the positions created. For Saipem do Brasil, this means forging a fine-tuned partnership with SENAI (Serviço Nacional de Aprendizagem Industrial) and other training institutions to respond promptly and effectively to business needs;

- effective and business-focused stakeholder engagement: in such a complex socio-economic environment, stakeholder management is not only crucial, but conditions operational processes (i.e. how to transport materials to/from the base; how to implement activities and monitor the impacts they generate in the local area; how to ensure the availability of qualified personnel; how to manage the licensing process, etc.). In particular the engagement with local communities was managed through official initiatives and events and through informal day-to-day contacts;
- environment and health: the promotion of health and the endeavour to improve living conditions emerge as key objectives, since zones of social and environmental criticality are still present in the surrounding areas and have implications for Saipem do Brasil's business. This is also important for the ongoing licensing process.

## FOCUS ON PERU

### LiHS for Families



Most of Saipem's people have participated in the LiHS programme, a key tool for developing the Company's health & safety culture. Petrex SA, one of Saipem's operating companies in South America, took the opportunity to extend this culture to its employees' families, helping them to integrate health & safety into their lives and providing them with the tools required to encourage employees to work in a prudent manner and return home safe and sound.

This is the spirit of the 'LiHS for Families' workshops, which Petrex began in Peru in 2010. So far these have involved 680 families in Peru, Venezuela, Colombia and Ecuador. With the advice of a team of psychologists, the

LiHS methodology for family education was adapted and a team of volunteers set up to carry out the workshops.

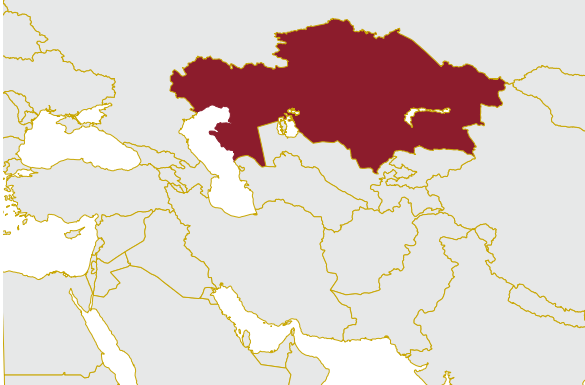
These 'facilitators' were trained on three topics:

- 1) health and safety principles (all facilitators had previously participated in the original LiHS workshop);
- 2) the newly developed 'LiHS for Families' method;
- 3) the delivery and dynamics of family workshops.

The workshops open up by familiarising families with the principles for identifying hazards in everyday activities and preventing them. They then learn about Petrex operations and are introduced to Saipem's Health & Safety Vision, which they can easily associate with the wellbeing of their family members. They work together on the Activator-Behaviour-Consequence (ABC) model, analysing their own behaviour, especially unsafe conduct, and proposing solutions as a family. Finally, each family makes a commitment with its own members to integrate Health & Safety as life values and encourage Petrex employees to work safely.

On November 22, the LiHS programme and LiHS for Families workshops received the 'Peru 2021 Award to the Social Responsibility and Sustainable Development of Companies' in the 'Employees' category. Peru 2021 is the most prestigious promoter and think tank of Corporate Social Responsibility (CSR) in the country and represents the World Business Council for Sustainable Development (WBCSD) in Peru.

## Supporting the education system in Kuryk village



### Research report on the effectiveness of the education system

The research project was conducted in cooperation with EFCA (Eurasia Foundation of Central Asia) in June 2012 in the Kuryk Village and in Aktau City. It aimed to:

1. assess the efficiency of the educational system in Kuryk Village in the Karakumyngylyk Region of the Mangystau Oblast;
2. determine the presence and availability of services provided by the five comprehensive schools in Kuryk village;
3. develop opportunities for youth to participate in extracurricular activities including leadership clubs, as well as classes and seminars to provide vocational guidance and preparation for college and university admission;
4. evaluate the educational process in preschools and create opportunities for the introduction of new educational methods in the five kindergartens in Kuryk village;
5. identify and assess the quality of vocational education and training in the region and pinpoint opportunities for its further development.

Summarising the research results, EFCA recommended the introduction of innovative methods in educating and fostering children in both pre-school and secondary school. To ensure continuous improvement of youth cultural and educational levels, EFCA also recommended that a vocational education sector be developed in the village.

### Development of Pre-School Education

Ersai, in cooperation with EFCA, started the 'Growing Together' Preschool Education Initiative, a three-year programme launched in 2013 which aims to improve the quality of early childhood education in Kuryk through a three-phased intervention that prioritises teacher qualifications, parent partnerships and community engagement.

The first year of the programme saw extensive work

with two kindergartens focused on improving teacher qualifications and improving dialogue between administrators, caretakers and parents. Activities were designed to motivate caretakers into pursuing professional development, facilitate more efficient administrative processes and communications, encourage innovative teaching and alternative behaviour management in the classroom, increase parent involvement and, ultimately, improve educational and psychological preparedness of kindergarten children for the transition to school.

Based on training needs and interests identified during the staff survey and on expectations described by parents, the project team developed training plans for kindergarten caretakers and administrators.

The courses designed for caretakers were:

1. The 'Step by Step' methodology.
2. Child Development: 'Children's Communication Techniques', 'Specifics of Physical and Mental Child Development', 'Socialisation for Young Children' and 'Critical Thinking'.
3. Teaching: 'Portfolio Technology', 'Working with an Interactive Board', 'Self-Knowledge Teaching Techniques'.

The duration of each course was 5 days and 94 caretakers took part in total.

Nine administrators participated in a two-day course on Financial and Organisational Management and Coordinating Methodologies in the Classroom.

Following training, 8 kindergarten teachers and administrators were selected to attend a study tour of Astana in order to visit model early-childhood programmes. After returning to Kuryk, 2 of 4 kindergartens developed operational plans to implement the 'Step by Step' teaching methodology in the education process. EFCA awarded two mini grants to Bolashak and Kulyshak kindergartens in order to equip two classrooms with methodology resources. Both kindergartens organised 'Open Houses' to present results and lessons learned, as well as to demonstrate new 'Step by Step' inspired teaching methods to colleagues and community members. Caretakers and their groups demonstrated technologies applied in the classroom, and described changes observed in children's behaviour and educational progress as a result of the project.

The programme will continue in 2014 by providing resources and support for local parents of young children through professional development for teachers, the expansion of the 'Step by Step' method to two additional kindergartens, additional training courses and resources for parents, the establishment of a Parent Resource Centre, and community events to promote project results round-table. Activities are designed not only to improve

parent partnership with kindergartens, but also to encourage a habit of involvement in the learning process that will continue as children enter school.

### School Education Development Programme

The School Education Development project focuses on improving teacher qualifications, encouraging dialogue between school management, teachers and parents, and developing a Community Active School (CAS) programme in Kuryk. The project consists of training components for school management and teachers and on CAS programme development. The aim is to motivate teachers to:

- pursue professional development activities;
- facilitate more efficient administrative processes and communications;
- encourage greater application of innovative teaching methodologies in the classroom;
- increase parent involvement and support for classroom innovations;
- improve educational preparedness of school students.

In March 2013, EFCA and local coordinators conducted a staff survey among school management and teachers. The results obtained facilitated the collection of information on what training is needed in order to help teachers and management effectively accomplish their goals and tasks throughout the year. Training agendas and materials were finalised based on the results of these surveys. All topics were included in school staff training. Teacher training included the following topics:

- Basics of Psychological Work with Children - Trainers were from the Psychoanalytical Association of Kazakhstan;
- Interactive Teaching Methods - Trainers were from the Public Organisation 'Peer to Peer';
- Working with Interactive Whiteboards - Trainers were from the Association of Information Specialists of Kazakhstan;
- A Comprehensive Consecutive Analysis.

The duration of each course was 3.5 days and in total 133 teachers were involved.

Principles of Public School Management was the main topic of training for school administrative personnel. Five teachers who participated in all project training

sessions and actively applied new methodologies in the classrooms were invited to take part in the 'Best Teacher' competition held in December 2013.

In order to pilot and develop a CAS programme in Kuryk, EFCA, along with the local Department of Education, selected one school for CAS project participation. Based on the results of the interviews and recommendations from the Regional Education Department, School No. 6 was selected. EFCA invited a partnering organisation from Omsk, Russia, to conduct a three-day training course on the Development of the Community Active School Programme throughout the academic year. The participants were students and teachers of School No. 6 in Kuryk.

In September 2013, 6 representatives from School No. 6 went on a study tour to Omsk, Russia, where they met with the Community Active Schools (CAS) of the region. During this tour, Kuryk school teachers learnt more about CAS concepts such as 'democratisation of the educational process, volunteering, social partnership, leadership development of students through student government and project activities'. School No. 6 is currently working on its Implementation Plan for the adaptation of the CAS model to Kuryk.

In winter 2013, the results of the initial CAS groundwork were presented to the community. In general, 2013 activities contributed to improvements in the qualifications of teachers and school administrators. They also boosted teachers' perceptions and understandings of student and family needs and prepared the Community Active School model for implementation in Kuryk. In 2014, the previous year's results will be consolidated by focusing on strengthening teacher-parent communications and relationships and increasing student-parent involvement in school and community activities. Ersai will work with schools to organise a series of year-long educational, cultural and recreational activities for children and parents, including joint training for parents and teachers, professional orientation classes for older pupils, and partnership building with business and community organisations. In addition, the project team will develop the 'Community Active School Kit', which will provide comprehensive how-to information about CAS development and implementation for other schools across Kazakhstan.



'Best Teacher' competition participants



'Step by Step' training

## FOCUS ON PERU

## Promoting reading



One of Peru's most urgent social problems is the quality of public education. Reading comprehension, a cornerstone of any further education, is at a particularly low level in public schools. In coordination with Clients, Petrex decided to address this problem in Talara. After some coordination meetings with the school principals of the district to

obtain a better understanding of the situation, Petrex contacted the Peruvian Ministry of Culture and joined the 'Educational Institutions Reading Programme: From the Schoolyard to the Park', commonly called 'Promolibro'. Promolibro provides public schools with portable libraries and a set of books selected for each age and reading level. The books are designed in such a way as to invite students to develop a reading habit as a form of recreation and not as an academic requirement. The Ministry's experts on techniques for promoting recreational reading trained a team of teachers from each school who are responsible for managing the portable libraries and keeping reading statistics. One day a week, they move the library to a public location, like a park or a beach, allowing community people to read during their leisure time. This initiative began in 2012 with four public schools in El Alto and continued during 2013, extending to two new schools in Talara. Overall, it involved 3,000 students in El Alto and Pariñas during 2013.

## FOCUS ON COLOMBIA

## Student Life Project Workshop



The Student Life Project Workshop was held on July 24, 2013. It involved 47 grade 10 and 11 students from the Antonio Nariño Agricultural Technical Institute located in the village of El Morro.

Adolescents were chosen as the target audience, as they are going through a period characterised by changes and challenges.

The main objective of the activity was to address, in a pedagogical way, the issue of one's Life Project. Teens reflected on relevant aspects of their lives and were provided with tools to assist them in structuring their Life Project.

The workshop, which was conducted by the Sustainability officer based on his extensive experience, was divided into five phases:

- Dynamic presentation and knowledge (The carousel);
- Custom Job (Who am I?);
- Reading and analysis of the text: 'You are the result of yourself';
- Socialisation of work, analysis of questions and reading;
- Conclusion - Evaluation.

**Reviews and testimonials**

*'Thanks to the workshop I learned that before we plan our future we should first know ourselves and be sure that what we plan is good for us and those around us',* Fiorelis Barrera, grade 10 student.

*'We learned to value ourselves more, to bear in mind things that we didn't contemplate before when making out our life plan',* Alejandro Sanabria and Sandra Fernandez, grade 11 students.

## Promoting health in local communities

### Contributing to the increase in HIV/AIDS awareness in local communities in the Congo

As part of urban community health initiatives, in September 2013 Boscongo participated in the 7<sup>th</sup> KERSIVAC, the HIV/AIDS prevention fair organised by the CNLS (National Council for the Fight against AIDS) with the assistance of several private companies.

Held annually since 2008, KERSIVAC is striving to educate Congolese youth on issues related to HIV/AIDS. As an organisation monitored by the Presidency of the Republic, the CNLS, established in July 2003, is a strategic stakeholder in all HIV/AIDS activities in the Congo.

With the support of its partners in the private sector, including Boscongo, the CNLS entertained children during the holidays by means of animated stands, shows and fun games. On September 12 and 13, 2013, an interdepartmental team from Boscongo set up two stands where attendees could test their knowledge on HIV/AIDS and understand the importance of HIV/AIDS related risks. Prizes were given out after a series of questions and answers to the great satisfaction of the winners. Around 40,000 people visited Boscongo's two stands. Of the 1,022 people received at the HIV/AIDS screening stand, 1,013 have since picked up their results (Source CNLS).

### Festival of Life in Colombia

Petrex SA Colombia has confirmed its commitment to health promotion. In 2013 it organised The Festival of Life, an initiative targeted at local communities and which focused mainly on basic health services. The event was successful due to its easy replication and the deep-rooted alliance with local stakeholders.

### Local Context

Many areas in the south of Bogotá are characterised by a high number

of vulnerable people who, due to unemployment and displacement, combined with the low presence and participation of government agencies, have limited access to public health services and education. This scenario generates recurrent respiratory, digestive and skin diseases, as well as incomplete vaccination schedules between communities.

### Scope and Objectives

- To bring basic prevention services to the most vulnerable communities in the areas where the Company operates and thus contribute to improving the quality of life of the beneficiaries.
- To contribute to the prevention of recurrent diseases (respiratory, digestive, epidermal) in the community.
- To provide the community with easy access to basic health services (general medicine, oral hygiene, gynaecology and vaccination).

### Project description

Two Health Brigades targeted at local communities were held in 2013. The first took place on March 2, in the Tuno neighbourhood south of Bogotá, with the Company providing volunteer participation in both medical and logistical support. With

the help of the NGO Lions Club and the Community Action Board, a total of 171 beneficiaries, adults and minors, received medical consultation. Drugs were provided by physicians, school kits were given to children and all attendees received lunch.

The second was held on October 23, in the Municipality of Antioquia Yondo, in the area of Rig 5929. A group of 230 people benefited from the initiative, held in conjunction with local stakeholders, both private and government run, such as the Red States Agency for Poverty eradication, the Municipal Health Secretariat and the Municipal Registry. The event consisted of presenting general medicine highlights, oral hygiene best practices, the provision of drugs and the administering of vaccinations.

### Building Healthy Families in Colombia

On April 20, 2013, Petrex held the conference 'Building Healthy Families' in the city of Yopal.

It was targeted at employees, their families and strategic partners. 140 people attended the event which aimed to raise the awareness of participants of the importance of healthy living through good nutritional practices, grounded in the Company's 'Factor H. Family Togetherness' policy.

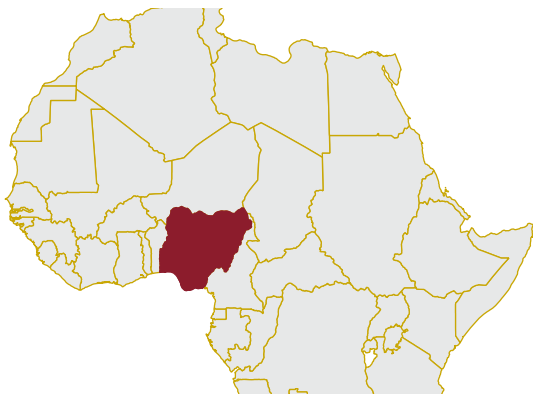


*HIV/AIDS prevention initiatives in the Congo*



*Health promotion initiatives for families in Colombia*

## Women's empowerment initiative



Nigeria is committed to promoting gender equality and women's empowerment, in line with Millennium Development Goals (MDGs). In order to promote entrepreneurship among local community women, in 2013 Saipem Contracting (Nigeria) Ltd (SCNL) started a project aimed at boosting skills in fashion design and sewing through a dedicated training programme held in collaboration with a local NGO, Kinabuti Fashion Initiative (KFI). One of the objectives of this workshop is to key into the Nigerian government's vision of empowering 1 million women/children through the acquisition of sewing skills of local and international standard.

The first stage of the selection started with 165 people from the Rumuorlumeni community out of which 50 qualified for the second stage. Here they were asked to write a short CV, after which an interview was conducted to verify the information provided and to ensure their commitment and availability for the duration of the

training programme. The 50 selected candidates were asked to make something creative out of the materials given to them, which included an image of what to make, sewing needles, thread, ribbons, scissors, buttons and fabric. At the end of the day, the 15 best were chosen to be a part of the Saipem KFI workshop. Training started in April 2013 and lasted 6 months.

As part of the programme, an entrepreneurial training course was carried out with a specialised tutor, focusing on how to start a tailoring business in Nigeria and covering tailoring and sewing. The workshop was set up in a specially reserved area inside the Saipem Yard in Rumuorlumeni. All equipment, including sewing machines, was provided to facilitate practical training and exercises. At the end of the 6-month course, all participants were able to make finished clothes in compliance with national and international standards.

The finished garments were sold, including through Kinabuti, and women could benefit directly from the revenues. On completion of the course, women received a certificate during an official ceremony held inside the Saipem Fabrication Yard. Those present included the SCNL Managing Director, the entire SCNL management team, the King of the Rumuorlumeni communities, representatives from local communities and from the Nigeria National Content Board and, finally, Clients. There was broad appreciation for the initiative from the local authorities. The best emerging student received employment from Kinabuti tailoring atelier in Lagos. SCNL is committed to providing continuous support for these women to start-up a tailoring business and will monitor their activities for at least 1 year.





Amilcare Berti, 'Old Memories', Angola

# A safe workplace and a healthy workforce to ensure excellence

**Management of operations is based on the precautionary principle to ensure maximum effectiveness in terms of prevention, management and control of HSE related risks.**

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

The organisational model of the HSE process defines varying levels of responsibility, starting from the Company positions closest to the sources of risk, since these are best suited to assess the potential impacts and devise appropriate preventive measures.

Saipem classifies Operating Companies and Branches into different clusters in relation to their level of HSE risk. Attribution to a particular cluster is also made with due regard for the activities carried out and the HSE performance. For those Operating Companies or Branches performing duties that can negatively influence the overall safety performance, and which belong to the cluster 'Significant HSE Risk', ISO/OHSAS certifications are mandatory.

Meanwhile, specific HSE structures carry out steering, coordination, support and control activities and ensure the issuing and updating of guidelines, regulations and best practices with a view to achieving continuous improvement. The regulation of the HSE Management System for all onshore and offshore activities carried out under the responsibility of Saipem in Home Offices and on Logistic Bases, Rigs, Vessels, Yards and all Company premises is ensured by the Saipem HSE Document system, designed using a top-down approach.

- The HSE Policy defines the fundamental principles

and general rules that must inform all activities.

The Corporate Policy 'Integrity in our Operations' was approved by the Saipem Board of Directors in 2011.

- The HSE Management System Guideline (MSG) sets out the guidelines for management of the HSE process. Through it, Saipem takes various measures to achieve maximum effectiveness in terms of prevention, management and control of HSE related risks. These represent a useful terms of reference for the Operating Companies and Branches so that they can reinforce their governance capability.
- Corporate regulatory documents (e.g. Standards, Specifications, Criteria) regulate the organisational structure, planning of activities, standards and principles which facilitate the achievement, development, maintenance and improvement of the Corporate HSE Policy. Corporate documents are used to supplement and detail the content of the Management System Guideline.
- Company regulatory documents (e.g. General Procedures, Work Instructions, Specifications) are developed within Operating Companies and Branches to define the details of the operating procedures for each specific organisational unit and/or professional area. Company documents are developed to address the specific circumstances found within Saipem in compliance with Corporate regulatory documents.
- Further HSE documents (e.g. Project HSE Plan, General Project HSE Procedures, detailed Specific Plans/Studies, Field HSE Procedures and Practices, Risk Assessment, Environmental Plans, etc.) are drafted at Project/ Site level to provide a detailed definition of HSE roles and responsibilities in compliance with the laws and regulations in force in the area of operations and with international standards and to address any specific requirements set out by the Client.



# Health and Safety Performance

TRIFR (Total Recordable Incident Frequency Rate) in 2013 reached 1.15, in line with the lower target (Min 1.15, Med 1.06, Max 1.00) but higher than the 2012 performance (1.06). However the results obtained for the Lost-Time Injury Frequency Rate (LTIFR) showed a significant reduction of around 20% (0.26 for 2013, compared with 0.32 for 2012). A comparison between TRIFR and LTIFR highlights a general reduction in serious accidents but an increase in minor accidents.

Unfortunately during 2013 six fatal accidents in five different events were reported. These involved two subcontractor employees and four Saipem employees. In a single event, two subcontractor employees were crushed during excavation operations. As regards the Saipem employees: (i) one was crushed by a double joint pipe being moved; (ii) a second lost his life when the Perro Negro 6 rig sank following the collapse of the seabed; (iii) another fell into the sea during operations on the deck of a vessel; and (iv) another was electrocuted. Thorough investigations were conducted for each of these tragic events. In light of the results of the root cause analysis, several measures were planned and implemented. These concerned different and specific corrective actions related to change management, revising corporate procedures and standards, and training and evaluation of competencies. Moreover, dedicated programmes and actions to eliminate fatalities will be developed by Saipem over the forthcoming year. Saipem's performance monitoring system includes several leading indicators designed to oversee how health and safety measures are implemented on sites or projects. All leading indicators are continually monitored, analysed and reported internally on a quarterly basis. The trends give useful information not only for the HSE department but also in relation to operations in order to identify areas for improvement. The performance results of HSE initiatives such as 'Leadership in Health and Safety', the 'Working at Heights

**11**

SITES WHERE THE WORKING AT HEIGHT CAMPAIGN WAS PERFORMED

**13**

ADDED SITES WHICH STARTED TO IMPLEMENT H-FACTOR PROGRAMME

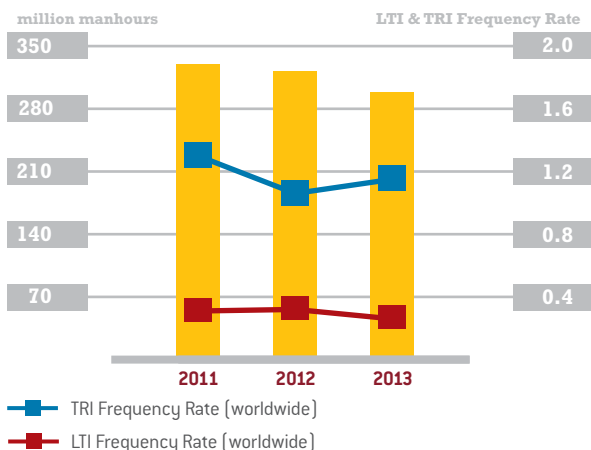
Campaign' and the 'H-Factor' exceeded the targets set, thus demonstrating the commitment of senior management to the health and safety of personnel and to the continuous upgrading of the Saipem HSE Management System.

## Managing subcontractors

The influence of subcontractors on Saipem's activities and safety performance is significant. It is therefore necessary to improve their focus and culture as regards HSE issues. To this end, Saipem continuously supervises a subcontractor's activities starting from the qualification process. Measures include:

- verifying correct implementation of HSE requirements within the qualification process;
- incorporating HSE requirements in the General Terms and Conditions for goods and services;
- organising meetings and workshops with the main contractors in order to convey Saipem's HSE requirements and expectations and to achieve full alignment;
- developing and performing a dedicated audit programme, especially for key contractors;
- involving contractor personnel in HSE Training courses and HSE awareness campaigns provided by Saipem, when appropriate.

### SAFETY PERFORMANCE



It should be noted that safety data, including project based HSE training, also includes Saipem's subcontractors operating within the work perimeter (not necessarily geographical) in which Saipem is responsible for defining, monitoring and reinforcing HSE standards.

**168.76 mln**

SUBCONTRACTOR MAN-HOURS WORKED

**1,508,601**

PROJECT HSE TRAINING MAN-HOURS DELIVERED, OF WHICH

**784,558**

PROJECT HSE TRAINING MAN-HOURS DELIVERED TO SUBCONTRACTORS

## HSE training

The development of and continuous increase in HSE skills and competencies is of the utmost importance in order to avoid injuries in the workplace. Saipem demonstrates its commitment on this key issue by continuously designing and delivering HSE training programmes involving both Saipem and subcontractor personnel at all levels. These courses are based on the type of activities carried out, the hazards personnel are exposed to and the level of competency, knowledge and skill required for each job position.

## HSE training protocol

In July 2013, the HSE Training Protocol was updated for employees of Saipem SpA. The HSE Training Protocol contains the guidelines for the planning, management and implementation of basic training relating to aspects of health, safety and the environment at Saipem. The document is a very precise tool for the planning and execution of HSE training. In addition to allowing the Company to meet the legal requirements and regulatory guidelines, the Training Protocols ensure that the highest standards of HSE are maintained for all Saipem personnel. Application of the protocols promotes greater consistency and linearity in managing the needs of HSE training and affords formalisation of the training process, leading to the development of training plans as provided for in Legislative Decree No. 81/2008.

Training on health, safety and the environment fits squarely in the context of continuing education, to be developed throughout working lives.

The HSE Training Protocol identifies and specifies:

- the procedures for training organisation and management, in order to ensure a 'product of excellence';
- the content that needs to be transferred to the workers.

The HSE International Training Protocol is due to be released in 2014. The aim is to provide general guidelines and criteria for the management of training activities in the field of HSE within the Saipem Group, in accordance with the requirements set forth in the:

- international regulations on health, safety and environment;
- provisions in corporate policy, procedures and corporate guidelines, including on a local level;
- principles and directions taken from the reference standards and the national and international guidelines for the implementation of the HSE International Training Protocol.

Corporate policy has as its primary objective the assurance of 'a high level of education and training of employees on matters of health, safety and the environment'.

The ultimate goal is to prepare an increasingly complete and accurate tool that is available to all participants or anyone involved directly or indirectly, and which is capable not only of providing effective support for the whole process but also of consolidating a culture of higher technical training.

## FOCUS ON NIGERIA

### Commitment towards continuous improvement in subcontractor HSE standards



Saipem Contracting (Nigeria) Ltd (SCNL) organises an annual interactive HSE forum targeted at subcontractors. The aim of the event held on January 19, 2013 was to demonstrate Saipem's commitment towards continuous improvement of subcontractor HSE management and proper alignment of Corporate and SCNL requirements. The forum, introduced by the Managing Director (MD)

of SCNL, was attended by 61 people, representatives of 35 subcontractor companies, who play an active part in aligning their standards with SCNL's safe work systems. During the forum, the SCNL Managing Director congratulated the subcontractors for their efforts in implementing HSE-Management System on different SCNL projects. Several presentations were delivered and shared with the subcontractors on key areas such as health, safety performance, incident alerts, environment and improvements in organisational safety culture, as characterised by LiHS. The subcontractors also engaged in a competitive 20 minute group exercise focusing on sharing information connected to important health and safety leading behaviours, again as per Saipem's LiHS campaign (see page 59). At the end of the sessions, each group made an oral presentation to the entire forum on the outcome of their discussion.

However, the MD equally advised the subcontractors to increase their involvement in future HSE forums by ensuring that key staff and personnel (such as directors) attend in person.

## Saipem awareness campaigns

### Hand Injuries Prevention Campaign

Every year people suffer injuries at work and statistics show that more than 40% of these involve hands, fingers and arms. Consequently in October 2013, Saipem SA launched a hand injuries prevention campaign titled 'Keep Your Hands Safe' to promote awareness and practical knowledge of safety procedures and the correct use of tools. One of the campaign's primary objectives is the reduction in number and severity of injuries. While launched at Saipem SA Head Office, the campaign has been continuing through all areas managed, with a programme for implementation that covers fabrication yards, vessels and offices over a period of two years. The campaign has seen strong commitment and cooperation from people with different specialties and from different organisational levels, a veritable network of knowledge sharing that has facilitated the use of internal resources for preparation of programme materials. The 'Keep Your Hands Safe' campaign is based on a series of modules that involve various lines of communication at different levels, depending on the target audience and the results expected. The campaign started with a Management Leadership and Commitment Video, with the participation of Saipem SA Senior Management.

The second phase will involve a safety assessment of equipment, machines and tools used by employees, and of site compliance in terms of personal protective equipment provided to employees.

The third phase will consist of training and increasing the awareness of personnel. The materials used are a new concept for Saipem, as they involve on-the-job training and the use of visual aids that are easy for any worker to understand. The 3D animation videos describe stories of people performing various activities typical of Saipem yards and vessels that have led or have the potential to lead to hand injuries. These include gridding, lifting and rigging, and the use of hand tools, chemical substances, machines or heavy equipment in movement. All campaign materials have been prepared in English, Portuguese, French,

Italian, as per Saipem SA project areas where the campaign is implemented (yards located in Angola, Nigeria, Congo, Brazil, offshore vessels Saipem 3000, Saipem FDS, Saipem FDS 2, Castoro Sette, S355, Bar Protector, Crawler and S230) and Saipem SA Head Office itself. The official campaign was launched on October 24 at the Saipem SA Paris Head Office by Saipem SA CEO, Deputy CEO and HSE & Sustainability Manager. 350 Saipem SA employees were also present.

### Choose Life

The sector in which Saipem operates means that many people spend long periods in countries where it is necessary to address health risks that they were not previously aware of in their own countries. For this reason, Saipem has chosen to invest energy and resources in a new programme called 'Choose Life', dedicated to developing the culture of health, which must go hand in hand with that of safety. The aim is to raise awareness among employees on health issues and to support them in choosing to take greater care in their lifestyles. Adopting a healthy lifestyle is the result of an individual choice. However, the Company is committed to promoting the welfare of casual workers on health risks, in the hope of stimulating reflection on the health issue. The programme centres on a workshop lasting around two hours, which includes the showing of 'Choose Life', a short film which won multiple awards at the Cannes Film Festival. The film provokes the viewer to reflect on the benefits of a healthy lifestyle and an intelligent approach towards health risk factors. It also provides an opportunity to address sensitive issues such as sexually transmitted diseases, the fight against malaria and bad habits (smoking, poor diet and alcohol abuse). What makes the workshop an effective experience is the fact that the key players are the participants themselves, sharing stories and experiences with the rest of the Group as they reflect together on their own choices and make a strong commitment to change to themselves and others alike, echoing the message outside the Company as well.

The 'Choose Life' campaign was launched in San Donato Milanese in May 2013. In a dedicated meeting, top management laid the foundation stones for the establishment of a new 'Health Vision', in which core values such as the welfare of the people, disease prevention, and respect and care for themselves and others are affirmed. Armed with the strong commitment and support of management, the Company started implementing the programme through a team of trainers who initiated the rapid spread of this 'Health virus' around the Saipem world.

Following the involvement of the offices in Milan and Sardinian Arbatax involved, 'Choose Life' was then launched in several other locations overseas. This commenced in July with the base at Port Harcourt, Nigeria. It then continued in the offices of Houston, Paris and Lima with the launch of the programme for senior management in the form of an inaugural workshop. The programme then proceeded to three different locations in Kazakhstan: the city of Aktau, Atyrau and the base located at Kuryk. In addition, two new local facilitators were trained and given the task of continuing the activities and ensuring the programme's expansion. The campaign was then launched in Indonesia, Singapore and, finally, Bucharest.

It will continue into 2014 with numerous events both in Italy and abroad. By way of testimony to the success of the programme in the first few months, we here provide some of the feedback our facilitators received at the end of the workshop:

*'I think this workshop is a blessing; it's the best thing Saipem has offered me. My future will be better and those around me will benefit also because I honestly will Choose Life. Thank You.'*  
(Odiki Nicholas - SCNL Nigeria)

*'This workshop is very important for creating awareness, educating people and informing employees how to make the right choices. I think after this session my life will be different. My life benefits are a priority now and I will accomplish every target so that I can enjoy my life. Thank You.'*  
(Pedro Martinez - Houston USA)

## Health promotion in Saipem

Throughout the years, Saipem has implemented a comprehensive Health Management System focused on disease prevention and health promotion.

### Best practices in occupational medicine

Saipem has adopted a Pre-Travel Counselling training programme for employees going to work abroad. The employee is given information regarding the epidemiological situation in the country to which he/she is travelling as well on preventive behaviour, vaccines, prophylaxis and potential illnesses. Since its inception in 2008, the programme has informed about 6,000 employees on the risks associated with the country of destination.

Furthermore, within the framework of the Pre-Travel Counselling programme, the 'Si Viaggiare' App is provided to workers. Available for Apple, Windows 8 and, beginning 2014, Android, the App is dedicated to medical issues for travellers and can also be downloaded free of charge by external stakeholders. Devised and overseen by Saipem's Italy Health and Occupational Medicine Unit, it has received positive feedback from employees, external third parties and Italian scientific associations. At the time of writing, 6,000 downloads have been made.

As regards relations with universities and scientific entities in the field of occupational medicine, in association with the University of Rome 'La Sapienza' Saipem has implemented an epidemiological study of the data contained in the Company's information system. Both the study and

the subsequent processing of its clinical indications for employees will be completed in 2014.

2013 also saw the completion of validation process for the Pre-Travel Counselling programme and for Saipem health protocols, the latter of which is required for issuance of the company Medical Fitness Certificate. A third party body, the 'La Cattolica' University in Rome, has certified Saipem's observance of scientific international best practices, such as those required by the International Society of Travel Medicine (ISTM) and the World Health Organization (WHO). Finally, a joint effort has been initiated with the IRCCS Policlinico in San Donato Milanese (Italy) through which the Policlinico's 'One Stop Clinic' for the prevention of tumours is promoted among Saipem Italy staff.

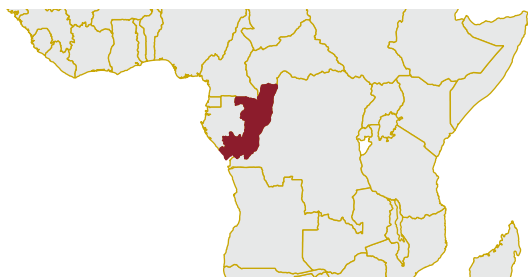
### Cardiovascular Disease Prevention Programme

The Oil&Gas industry plays an important role in confronting the challenges posed by Cardiovascular Disease (CVD). It can do this through robust workplace and community prevention programmes. Prevention of cardiovascular disease is a lifelong approach, which prompts Saipem to mount efficient and effective campaigns and to implement measures to reduce its incidence among employees and alleviate its effects on the quality of life.

Saipem's CVD Prevention Programme (CVDPP) aims to identify, assess, monitor and control modifiable cardiovascular risk factors such as blood fat levels, blood sugar, blood pressure, physical inactivity, smoking, and so forth. It is based on educational, motivational and clinical activities designed to encourage improvement in the

## FOCUS ON CONGO

## Programme for the fight against HIV/AIDS



In the framework of the fight against HIV/AIDS, Boscongo, in partnership with the Ministry of Health via the CNLS (National Council for the Fight Against AIDS), organised a programme titled 'Training of Peer Educators'. Training took place from the June 26 to 28 and was targeted at employees selected on the basis of socio-professional criteria. The 9 employees who completed the course became 'Peer Educators'. Their title means they have acquired knowledge of the methods and best practices needed in order to educate their fellow employees in the prevention of HIV/AIDS and in the rejection of stigmatisation of AIDS and discrimination against AIDS sufferers.

Peer Educators organised a celebration of World AIDS Day (December 1) on the Pointe-Noire Port Project on December 4, in the Boscongo Yard on December 5 and on the Djeno project on December 7. They got everyone to wear Fight against HIV/AIDS pins and each site held a Safety Meeting at which the group of 9 Peer Educators was introduced. The group encouraged all workers to make a contribution towards reducing the spread of HIV/AIDS by implementing the methods required to protect against the disease. Voluntary and anonymous screening day for HIV/AIDS took place on June 27 and July 10, 2013 at the Boscongo Yard and on the Pointe-Noire Port Project, respectively. The focus was on the social stigmatisation of AIDS and discrimination against AIDS sufferers. Once an anonymous ID number had been assigned, employees were guided towards the first tent that served as a pre-test post. They answered some questions anonymously and were then led to the second tent which acted as a blood sampling laboratory. Results were available one hour later in the third tent. 64 employees participated at the Boscongo yard and 102 on the Port Project.

behaviour and living conditions conducive to improving the health and well-being of employees.

In 2013, 90 worksites were fully covered under CVDPP and 76 (84%) achieved the implementation criteria set down by Corporate (at least 60% of employees assessed and at least 50% of those at risk enrolled in the Risk Factor Follow-Up Programme). Considering only those worksites with medics where the programme was implemented, the percentage of employees assessed was 92 (14,506 out of 15,769) and the percentage of employees enrolled in the Risk Factor Follow-Up Programme was 90 (1,991 out of 2,204).

### Tele-cardiology services in Saipem - Improving patient care in remote areas

Recent advances in biosensor and communications technologies have enabled the design of advanced and cost effective tele-health monitoring solutions that promise to improve the level of care and the quality of life of employees. Saipem commissioned third party specialists to supply telemedicine machines and have their expert cardiologists interpret the electrocardiograms (ECG). ECG readings are transmitted from site/vessel clinics along a fixed or mobile phone line to the centre where specialists are available 24 hours a day to examine the results. By receiving the report within 5-10 minutes after transmission, the service eliminates the need for some patients to visit cardiac emergency units and even repatriation can be avoided. Since 2007 tele-cardiology on Saipem worksites has been producing sustained results in terms of detection and timely decision-making in relation to heart disease, as well as significant improvements in the quality of care. In 2013, new sites implemented the programme bringing the total to 45, as seen in the graph. Out of these, at least 17 have successfully accomplished their annual minimum target of 90 ECG transmissions to the Milan Cardio Centre. The remaining sites have also been very efficient in implementing the programme compared to previous year. In 2013 alone, Saipem projects/vessels with the tele-cardiology service transmitted 3,073 ECGs to Italy. Out of these, 121 cases were online transmissions requiring immediate interpretation and advice from cardiologists. These were considered potential emergencies or related to certain cardiovascular diseases (CVD). 2,952 ECGs were

sent in offline mode, primarily giving support and advice to our medics in non-urgent cardiovascular events.

Statistics point to a rising trend in the number of cases handled using tele-cardiology, as shown in the graph. In 2013 there was a 75.5% increase in the total number of cases referred to the Tele-Cardiology Service (1,751 in 2012 and 3,073 in 2013). Although much of this achievement is explained by the increase in the number of worksites involved, efficient monitoring and management of the programme has also played an important role.

### Focus on malaria

According to the 'World Malaria Report 2013' published by the WHO, global endeavours to control and eliminate malaria have saved an estimated 3.3 million lives since 2000, reducing malaria mortality rates by 45% globally and by 49% in Africa.

Increased efforts to implement prevention and control measures have been mirrored by a consistent decline in malaria deaths and illness, despite an increase in the global population at risk between 2000 and 2012.

'This remarkable progress is no cause for complacency: absolute numbers of malaria cases and deaths are not going down as fast as they could', says Dr Margaret Chan, WHO Director-General. 'The fact that so many people are infected and dying from mosquito bites is one of the greatest tragedies of the 21<sup>st</sup> century'.

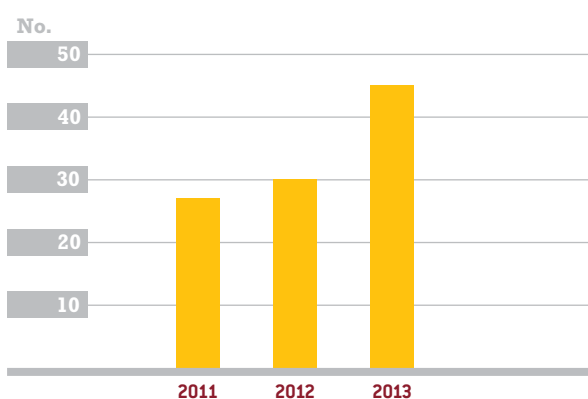
In 2012, there were an estimated 207 million cases of malaria, which caused approximately 627,000 deaths. An estimated 3.4 billion people continue to be at risk of malaria, mostly in Africa and Southeast Asia.

### Saipem's efforts in the fight against malaria

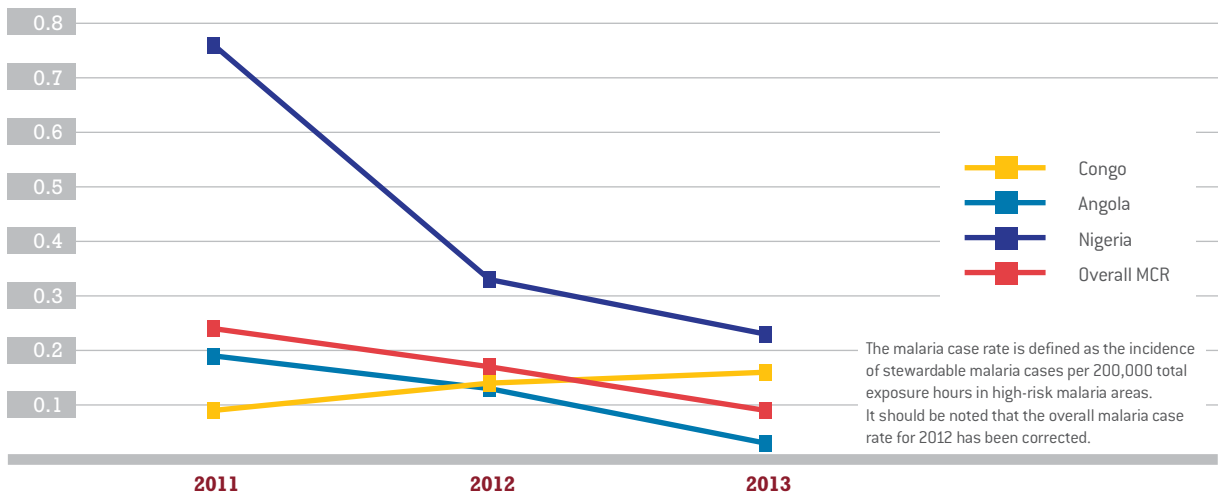
Saipem is committed to protecting the health of its workforce and to improving that of its host communities. The potential impact of malaria is significant because of the complex interaction it entails between biological, geographical, social and political factors. Social and economic loss each year due to death from malaria, and the debility caused by repeated infections, are huge in those very regions of the world least able to withstand them. Most cases occur in Africa, Southeast Asia, South America and the Indian Subcontinent.

In 2013, 47 sites located in endemic areas were all involved in the Saipem Malaria Control Programme. The number of personnel working in malaria risk areas eligible for awareness raising courses was 5,314. Out of these, 5,312 attended the course which discussed important issues about malaria, prevention and prophylactic measures. The overall Malaria Case Rate (MCR) this year is 0.09 (MCR is the incidence of stewardable malaria cases per 200,000 exposure-hours). This is a decrease of 47% compared to data for the previous year (0.17). The main improvement was with non-immune expatriate employees. In 2012, the MCR for expatriates was 0.62 (11.6 million man-hours worked and 36 cases), while in 2013 the MCR was 0.37 (11.4 million man-hours worked and 21 cases).

SITES WITH TELE-CARDIOLOGY SERVICE



MALARIA CASE RATE PER COUNTRY DISTRIBUTION



This is a decrease of 40%. On the other hand, there were no significant changes in MCR for local employees (0.01 MCR in 2012, 0 MCR in 2013) and subcontractor employees, of which the majority were locals (0.08 MCR in 2012, 0.08 MCR in 2013). This result indicates the positive effects for Saipem employees, particularly expatriates, of a comprehensive malaria prevention programme. All 25 cases of malaria were in West Africa: 20 in Nigeria, 4 in the Congo and 1 in Angola.

The general pattern of MCR in African high-risk malaria countries shows cyclical improvements, with an accentuated downward trend over the last few years. This reveals the strong commitment, concrete responsibility and comprehensive effort between site managers, health personnel and employees. Due to the possible risk of infection during transit, employees working offshore located in malaria endemic countries were also provided with malaria information courses. Distribution of repellents and permethrin-treated clothes was also carried out. FDS and Saipem 3000 handed out 500 and 450 items of clothing respectively to their crews. Scarabeo 7 assisted local employees' families with medicines and insect repellent.

The following criteria are considered during target setting and future analysis:

- the workload expectation in malaria areas where estimation depends on:
  - the degree of exposure to malaria, with a different risk onshore vs. offshore worksites and also with a different risk of transmission within endemic areas from Asia, Africa or South America;
  - the status of immunity to malaria infection (the number of non-immune expats vs. semi-immune local employees);
- evaluation of work typology.

**Nigeria**

World Malaria Day was celebrated on all projects in Nigeria, where doctors and nurses performed malaria awareness


campaigns simultaneously. As part of the Company's commitment to malaria prevention for local communities, Saipem Nigeria distributed 2,000 ITN (Insecticide Treated Nets) to Saipem employees, to whom permethrin impregnated T-shirts were also made available. Along with regular outdoor and indoor fumigation, electrical mosquito repellents were also installed in accommodation as another effective preventive measure. These combined efforts allowed Saipem Nigeria to reduce the incidence of malaria of non-immune employees from 50 in 2011, to 31 in 2012 and 20 in 2013.

**Congo**

During World Malaria Day, toolbox meetings dedicated to malaria prevention were organised at the Boscongo Yard and on Rig 5895 with a high-level commitment from Saipem Congo management. Saipem's Malaria Control Programme is fully implemented in the Congo. Malaria inductions are organised for non-immune employees newly assigned to the country. About 188 people took part in malaria induction in 2013, 370 mosquito repellents for skin and clothing were distributed, 185 items of clothing were impregnated with permethrin and 50 non-immune people agreed to take chemoprophylaxis.

**Angola**

In 2013, 943 employees in the Ambriz Yard received induction on malaria and signed the declaration of attendance. 126 employees agreed to take chemoprophylaxis. In the Dwet office, 61 employees attended malaria induction in the medical department of Saipem Angola Branch. During these activities the following topics were explained: Malaria Transmission; Incubation Period; Symptoms and Signs; Prevention of Mosquito Bites, Chemoprophylaxis and, finally, the importance of Early Diagnosis and Treatment.


**FOCUS ON LiHS**

Cyprian, in Nigeria, greatly improved the team spirit of his team when he suggested that everyone **Start** the working day with an informal toolbox talk in which all are free to talk about safety.

Mohamed, in the UAE, succeeded in making an activity carried out by an entire team of electricians safer, not by punishing any work carried out in an unsafe manner, but by **Recognising** with a small reward anyone who worked in a workmanlike manner and in complete safety.

In Congo, Thimothée **Intervened** when some colleagues were working at height without harnesses.

He did it so well that the colleagues he corrected fully understood his actions and now themselves intervene in similar situations.

Raphael, in Peru, had the courage to **Challenge** the customer representative who pushed for an activity to be carried out at the expense of safety. He did so successfully both for his own safety and that of all his colleagues, and had a positive impact on the customer themselves.

Marcelo, in Brazil, **Shared** a real life experience in person to convince a colleague to act more safely in an activity he was carrying out without much care for safety and without thinking of the consequences in the event of an accident.

These are just a few of the dozens of success stories of people who, by putting into practice the Leading Behaviours – **Start, Recognise, Intervene, Challenge** and **Share** – have been successful in making their own small contribution to improving the Company.

Saipem was made great as the results of many small contributions, and there are many small actions like these that are helping to change its safety culture. The survival of the Company depends on its projects;

however, there is a deep-felt awareness that these should be brought to fruition with a focus on sustainable development at local level, which also means in complete safety and safeguarding the health of workers in every part of the world. **The Leadership in Health & Safety (LiHS) programme is the main tool developed by Saipem to promote a culture of health and safety that goes beyond the outdated imposition and coercive approach.**

It does this by taking advantage of the emotional involvement of people affected by the programme. Pivoting on the core values of each and every one of us, not least of which is respect for human life, the validity of the LiHS programme has become universal, since the values on which it is based are also universal.

The dissemination strategy of the LiHS programme was built upon two principles:

*'If your boss does something, you will probably do it too'.*

Accordingly, the first three phases of the programme were conceived and based on a typical cascade approach: the LiHS workshops for managers and supervisors; cascading events enabling the message to be passed from managers to their teams; 'Five Star' intervention courses, designed for a more operational level and therefore targeting the people that are in direct contact with risks. From level to level, the message of the LiHS programme has reached more than 45,000 people.

*'If your peers do something, you will also be drawn to do it'.*

The Leading Behaviours campaign was conceived precisely on this principle of commonality among peers, which exploits the tendency to emulate and imitate all that we do with our fellow men. The emulation is guided towards the five positive behaviours mentioned above –

known, quite simply, as the Leading Behaviours. The campaign reached almost 40,600 people worldwide in 2013.

Respect for human life also depends on the preservation of health.

Saipem is conscious of this fact and has developed a further campaign, a collaboration between the LiHS Development Team and the Medical Department, called 'Choose Life'.

The objective is to raise awareness on issues that are both sensitive and personal, such as malaria prophylaxis, sexually transmitted diseases and the prevention of heart disease through proper nutrition, stopping smoking and taking exercise. Although only launched in 2013, this campaign has already reached about 2,500 people.

The LiHS programme is a support tool for Saipem as a whole and, by its very nature, is ready to be deployed anywhere Saipem operates in the world. However, its results persist even after Saipem has stopped working in an area, since the awareness of certain universal themes does not fade with the completion of a project. It is in this context that the LiHS programme contributes to the sustainable development of local communities.

At the same time, the LHS Foundation was founded and nurtured by Saipem with the aim of promoting knowledge and proposing practical tools for intervention in order to support cultural change in terms of well-being and safety in the workplace. The aim is to extend these principles to industry and social spheres in general, in Italy and the world over.

# 413

LiHS EVENTS PERFORMED

# Minimising environmental impacts

**Correct management of significant environmental aspects, and of impacts deriving from them, is increasingly becoming a hallmark of all Saipem onshore and offshore activities and projects, in both challenging and uncontaminated environments.**

As a result of the wealth of experience it has acquired over many years, Saipem has developed an awareness of the environmental impacts it can potentially generate and is scrupulous in managing its activities in order to mitigate these. Precisely in order to fulfil these needs and to formalise long-standing methodologies and experiences, Saipem has for many years had an Environmental Management System (EMS) certified as per ISO 14001 international standard.

Assessment of environmental aspects has highlighted how energy consumption and the potential for spills are significant features of the operating activities of the various business lines of the Saipem Group. Over the past few years the Company has therefore focused strongly on tackling these issues both at Corporate level (with targeted campaigns and initiatives) and on operating projects. The drive for ongoing improvement can be recognised in each implementation phase of the Environmental Management System through a process that unfolds along all phases of a project, from engineering up to completion, with the aim of minimising environmental impact by means of analysis, studies and the following actions: (i) identification of environmental aspects inherent to Saipem's activities; (ii) identification of significant environmental aspects through the application of a tried and tested method; (iii) assessment of the environmental impacts of an activity; (iv) identification of suitable mitigation measures to minimise environmental impacts and (v) identification of operational controls to manage and control residual impacts.

This specific process is particularly incisive and is also vital for the successful outcome of all those actions planned during engineering phase and implemented during construction with a view to protecting the environment.

## **Environmental Management System at Project level**

At project level, an EMS based on Saipem's HSE Management System is tailored to the scope of work and

duly implemented. The EMS and related project documents are prepared in accordance with: (i) applicable national and local legislation; (ii) the Client's HSE management system; (iii) HSE contractual requirements and (iv) the ISO 14001 standard.

In EPC (or EPIC) contracts, an Environmental Impact Assessment (EIA) study is generally carried out by the Client and provided to Saipem at the beginning of the project for reference. The study especially assesses the environmental impacts generated during plant operation. Once the EIA is approved by the local authorities, it is not updated any further during the project. When the Client supplies a preliminary EIA, it can ask the contractor to update it or to provide the support necessary to complete it. The latter is normally done during engineering phase. During project engineering phase, additional environmental analyses and studies are carried out in order to identify the key environmental issues associated with plant (or pipeline, or infrastructure, etc.) interaction with the environment during operation. This helps the project team when making design choices and when implementing design solutions that are compatible with environmental safeguarding requirements. When the project proceeds to more detailed configurations, the environmental aspects are updated and finalised, taking into account the full project details and any instructions or restrictions received from the authorities.

An Environmental Impact Identification (ENVIID) is carried out at project level, focusing on both engineering and construction phases. The ENVIID constitutes the key input for the development of the project Environmental Management Plan (EMP) for construction and commissioning phases. An EMP is usually carried out through a workshop involving different project functions and includes identification and assessment of the environmental aspects connected to activities performed directly by Saipem and its subcontractors working on site. The first version of the document is normally issued during project engineering phase, starting from the EIA



ENVIRONMENTAL IMPACT MANAGEMENT IN SAIPEM

SIGNIFICANT ENVIRONMENTAL ASPECTS	AIR EMISSIONS	WATER WITHDRAWAL/ DISCHARGE	WASTE PRODUCTION	FLORA & FAUNA DISTURBANCE	SPILL CONTINGENCIES	ENERGY CONSUMPTION
	<b>SAIPEM PRODUCT &amp; SERVICES:</b> ONSHORE PROJECTS (Pipeline and Plant) OFFSHORE INSTALLATIONS DRILLING ONSHORE and OFFSHORE FABRICATION YARDS, PERMANENT OPERATING SITES AND OFFICES					
<b>ENVIRONMENTAL IMPACTS</b>						
Main environmental impacts:	Air pollution Degradation of air quality	Overuse and depletion of water table Water pollution Degradation of aquatic habitat Degradation of water bodies	Soil overuse Decreased landfill space Other: all impacts connected with improper waste management (e.g. air, water, soil and groundwater pollution)	Degradation and reduction of natural habitats and ecosystems Biodiversity depletion	Soil, groundwater and water pollution Degradation of ecosystems Biodiversity depletion	Several impacts connected mainly to energy generation, air emissions, use and transportation of fuel
	POTENTIAL MITIGATION MEASURES	Periodic maintenance Dust control programme Monitoring systems Exhaust abatement systems	Efficient treatment plants Water saving and reuse	Waste management plan Reuse, Reduce, Recycle hierarchy Recycling programmes	Biodiversity Action Plan Demarcation of project boundaries	Proper storage of hazardous substances Prevention procedures Preparedness: training and drills



(and any restrictions contained therein) and information deriving from the ENVIID. It is then implemented during construction, installation, pre-commissioning and commissioning phases and describes the overall Environmental Management System on site. It is subsequently updated when important changes occur.

In addition to the EMP, detailed specific plans and procedures are issued and implemented in relation to the most significant environmental aspects in order to provide more effective guidelines and to pinpoint any mitigation measures and monitoring activities that need to be undertaken to ensure correct management in relation to such things as waste, spill prevention and response.

## Saipem's strategy for energy efficiency

In recent years, Saipem has developed energy efficiency measures mainly resulting from customer requirements, the need for maintenance and local cost saving policies. However, these measures originated from the initiatives of individuals and were not part of an overall vision. Now, Saipem has moved to a strategic approach in managing energy efficiency which has become a business objective and is considered a driver toward competitiveness. The new strategy can be divided into two main steps:

Knowledge: detailed analysis of some of Saipem's assets, with the aim of understanding better where energy efficiency could be improved. Implementation of technical solutions for improvement, accompanied at all times by awareness and training initiatives. The assets to be evaluated were selected because they showed: (i) criticality in terms of consumption; (ii) good levels of knowledge and control; (iii) actual possibility of intervention; (iv) need for action to comply with regulatory

requirements and (v) replicability.

In 2013, appropriate Energy Assessments, in line with ISO 50001:2001 standard 'Energy Management systems. Requirements with guidance for use' were carried out on 3 office buildings and on the Saipem 7000 in order to identify critical areas and propose measures to increase their energy efficiency. For offices, the energy assessment process consists in understanding the systems, structure and consumption data, followed by the identification of technical solutions, all completed by the cost-benefit analysis that will formally define intervention priorities. The improvement measures identified can be

divided into two categories: measures relating to the building envelope and improvements to be borne by technological systems. Each measure proposed is further explored through a feasibility study that covers the following points: description of the works, cost of works, annual saving in energy terms and return times. The discussion phase with management to define a plan of action based on these energy assessments is still ongoing. Priorities will take into account several factors including available investments, return times and the potential benefit in terms of energy and environmental comfort.

## Saipem 7000 Energy Assessment results

The offshore fleet is considered a high priority, not only because of the high consumption of fuel and related expenses, but also for the recent regulatory requirements. The purpose of the assessment was to identify design solutions with a high level of replicability, with the ultimate aim of extending the results obtained to other assets with similar features.

The areas of improvement identified were the following:

- Installation of heat recovery economisers.  
The intervention proposed consists of recovering part of the sensible heat contained by exhaust gases, thereby reducing the quantity of fuel needed to power conventional boilers.
- Installation of Green PC software on computers.  
Green PC software facilitates a reduction in the energy consumption of idle terminals using various stand-by options and minimising waste.
- Optimisation of navigation routes. Thanks to real-time satellite measurements, an optimal solution is devised for each voyage which means a saving in navigation time and, consequently, in the amount of fuel used.

- Installation of electric heaters for engines.  
Currently, the heating of generator engines is by means of a steam circuit characterised by high levels of heat dispersion. The possibility of replacing this system with a similar one based on the use of electric resistance heaters has been considered. Being installed near the engine, they prevent losses associated with the distribution system.
- Use of fuel additives. The economic impact generated by the use of fuel is enormous. The possibility of using additives available on the market has been evaluated. These promise to increase the efficiency of fuel use and to reduce the polluting emissions caused by combustion.
- Replacement of electrical transformers.  
Some measurements carried out on numerous transformers have highlighted a noteworthy fall-off in performance. Given the high energy flows in play, the possibility of replacing these with better performing components has been analysed.

Integrated with a cost/benefit analysis, the Assessment Report establishes a scale of priorities and actions to be implemented within a reasonable timeframe.

Intervention	State of progress	Technical and economic feasibility study
Green PC	Applied	The advantages that can be obtained were assessed using on-board measurements during a preliminary testing phase, which was followed by service activation.
Route optimisation	Applied	The service was activated following an economic analysis of past savings made on other Saipem vessels, by applying route optimisation.
Installation of heat recovery economisers	Partially applied	Following a study on improved efficiency deriving from the intervention, it is quite likely that they will be purchased and implemented by Saipem over the course of 2014.
Electric heaters	Partially applied	Following a study on improved efficiency deriving from the intervention, the replacement of components installed on-board commenced.
Fuel additives	Under study	The advantages that can be obtained were estimated with reference to a sector study of components similar to those installed on the Saipem 7000.
Replacement of transformers	Under study	The saving from the replacement of several components, whose performances were obtained from on-board measurements is currently being assessed.

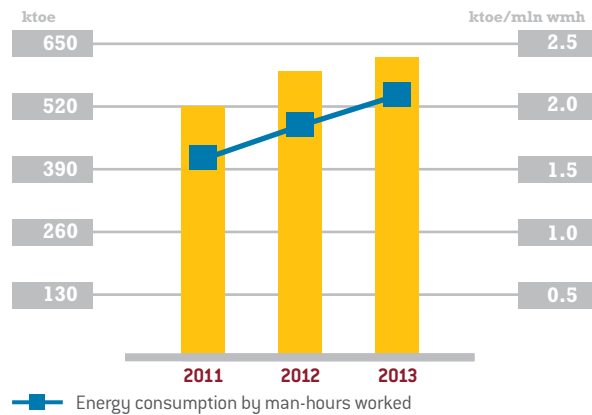
## Route optimisation

With the aim of reducing navigation times and, consequently, fuel consumption, the optimisation of the routes was implemented starting from 2012 and utilised systematically for the longest navigation transits. Thanks to real-time satellite measurements, an optimal solution that saves navigation time is possible for each voyage.

The initiative continued in 2013 and the software for route improvement was implemented on Castorone, FDS, FDS 2, Castoro 6 and Castoro 8, saving a total of 233 tonnes of fuel.

The total estimated saving since the initiative started is 29 days and 18 hours, 1,349 t of fuel and 4,268 t of GHG emissions on these 16 routes.

### TOTAL ENERGY CONSUMPTION



In 2013, Saipem consumed 622.4 ktoe of energy [594,126 in 2012 and 520,752 in 2011]. Energy consumption by man-hours worked increased in 2013 (2.09) compared to 2012 (1.85) and to 2011 (1.58). Further details on this performance can be found in the Addendum to the Annual Report.

## Spill prevention and emergency preparedness

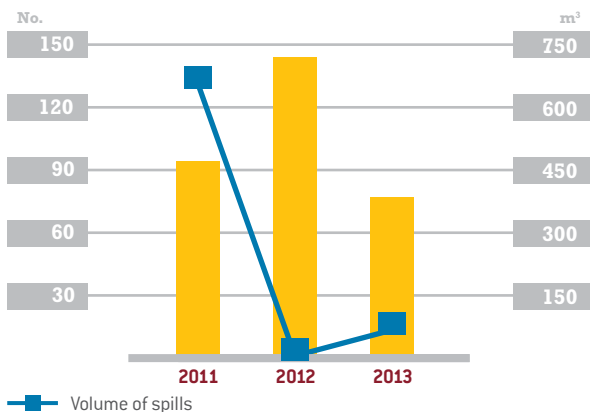
Saipem personnel is aware that, when a spill occurs, the damage starts immediately and its degree may be influenced more by the response time than by the size of the spill itself. For Saipem, preparedness is the best way to avoid any damage escalation. For this reason, the Company avails of an 'Oil Spill Response Team' (OSRT), which has been providing services and advice for over 20 years. Eni Corporate University (ECU) and the Saipem OSRT can supply all levels of training to Eni Group employees. Furthermore, ECU can provide all three levels of training recognised by the IMO: IMO Level 1 - First Responders; IMO Level 2 - On Scene Commanders and IMO Level 3 - Management. The first OPRC 1990 IMO Course Level 3 was held in November 2012 at Eni E&P Division in Ravenna and it is expected that IMO Levels 1 and 2 will be delivered

in 2014. The scope of the course already delivered was to enable participants to manage incidents safely, effectively and efficiently. Course length was 25.45 hours over 4 days, including practical exercises. The course objectives were:

- to provide an overview of the main causes of marine hydrocarbon spills;
- to introduce the concepts of evolution and prediction concerning the behaviour and development of a spilled hydrocarbon substance;
- to provide a sufficiently comprehensive yet general understanding of equipment, vessels and response methods;
- to allow students to become familiar with their company's emergency plans and their specific roles therein;
- to give basic information required to understand the issues associated with remediation, i.e. Occupational Health and Safety personnel, waste management, etc.;
- to ensure hands-on practice with the equipment available;
- to provide detailed knowledge of the command and control structures, with practical examples of how the different systems work in the event of a Company or national accident.

Group and individual exercises were conducted with the aim of applying the 'Key Operations' that had just been learned. For example, in addition to training activities, carrying out drills is also pivotal for verifying that the appointed Response Team follows the standard procedure, checking the effectiveness of the standard procedure,

### TOTAL SPILLS



In 2013, the overall number of spills decreased [??] compared to 2012 (144) and 2011 (94). The total volume of spills was 67.2 m³ in 2013, 5.4 m³ in 2012 and 654.45 m³ in 2011. In order to ensure better analysis, classification and optimal management of incidents, in 2013 Saipem modified its methodology for monitoring spills. Near misses and spills of under 10 litres are still reported, but are now separated from those of other types.

# 3,933

TRAINING MAN-HOURS PERFORMED ON SPILL PREVENTION



*Oil spill drill at the Aquila Field carried out through the Firenze FPSO unit*

familiarising personnel with their assigned tasks, ensuring that the necessary equipment works properly and identifying all contacts needed during the spill. Every project vessel and yard has to prepare and implement its own Spills Response Plan according to the characteristics of the assets and the operations. Spill drills are performed periodically by the Saipem fleet both on deck and in the water. The purpose of these

activities is to raise awareness about the importance of responding immediately to an environmental spill. 'Think Before Acting' is the core message that the OSRT communicates to the personnel involved in drills. The fact that Saipem works in the oil industry and that environmental accidents can happen are highlighted and emphasised. In this regard, awareness and preparedness are the keys to avoiding future occurrences.

## FOCUS ON UAE

### Protecting biodiversity on the Etihad Railway Project



On September 22, 2013, Etihad Rail's first train ran on the track laid by Saipem. The infrastructure consists of 290 km of freight railway lines stretching from the new gas facilities in the Abu Dhabi desert in Shah and Habshan to the port facility of Ruwais.

The Baynounah Forest is a 592 km<sup>2</sup> protected area approximately 15 km east of Ruwais along the Al Gharbia main line of the railway, which has been recognised as important for the conservation of the Macqueens Houbara Bustard, a bird listed as vulnerable on the International Union for the Conservation of Nature and Natural Resources, IUCN Red List. The area has also been recognised as important for several other species of insect, reptile, bird, animal and plant.

The environmental project requirements were implemented in the design phase in close coordination

with the Engineering Team. A series of workshops were organised in order to agree on mitigation measures and fulfil stakeholder expectations. The environmental mitigation measures were proposed to stakeholders and, upon approval, were implemented during railway design and construction, especially along protected and other environmentally sensitive sections.

One of the requirements of the Environmental Impact Assessment and of the Terrestrial Ecology Management Plan was to carry out a pre-construction survey to identify and tag trees to be translocated as part of the Pre-construction Flora Survey Procedure. During final design, Saipem slightly modified the railway route to keep its trajectory as far away as possible from particularly sensitive and valuable habitat type areas, or areas where spiny-tailed lizard burrows had been identified during a preliminary ecological survey.

The typical cross section of the railway was significantly reduced in width inside the forestry area, resulting in approximately 6,500 trees being saved. The largest impact associated with the railway was the creation of a permanent new ecological barrier which risked fragmenting habitats and dividing fauna populations. Culverts were therefore designed at intervals of 1 to 5 km, which reduced the impact of the ecological barrier, allowing the free passage of gazelles as well as smaller mammals and reptiles.

## Measuring the socio-economic value created by ecosystem services

What value is Saipem creating and sharing as a result of the way it manages its projects or due to its presence? And how can this value be quantified?

The GLNG Pipeline Project is an ongoing Saipem project in Queensland, Australia. Pipeline construction, and activities associated with the Oil&Gas industry in general, are often linked to the disturbance and degradation of the social and environmental context. Specifically, impacts on the environment or on particular ecosystems are nearly always perceived as adverse. In reality, however, outputs of goods and services do in fact generate benefits for the human population.

To understand better the real social and environmental footprint of GLNG Pipeline Project activities, Saipem decided to quantify the ecosystem service value created from a specific aspect of the Project Environmental Management Plan. The term 'ecosystem' refers to a dynamic complex of plant, animal and micro-organism communities and their non-living environment all interacting as a functional unit (MA, 2005). Effectively, ecosystems are the habitats of, for example, coral reefs, forests, grasslands, rivers, farmland and urban parks that support various species. 'Services' refers to the functions and products of the ecosystem that benefit humans in the short or long term. They depend on the attributes of the ecosystem, and include crops, fish, freshwater and timber. They also comprise climate regulation when trees sequester carbon, and there are cultural services, such as tourism, to say nothing of spiritual benefits.

The aim of the study was to understand the real footprint by quantifying the value of the ecosystem services created and

associated with an increase in human wellbeing. Specifically, it examined the translocation and management of an ancient species of plant known as the *Cycas Megacarpa* (Cycad). The Cycads, which can reach a height of 5-6 m, is a small group of plant that has existed for over 200 million years. However, its decreasing numbers and distribution are due to human induced destruction of their habitat.

The 'Cycas Megacarpa Translocation and Management Plan' (CTMP), developed by the Client, GLNG, aims to protect and increase the Cycads population in the area crossed by the project pipeline. In accordance with the Environment Protection and Biodiversity Conservation Act 1999 of the Australian Government, through the application of the CTMP the Client has committed to preserving a population of 3,990 Cycads over 5 years following planting in the some selected sites along the pipeline route. Of these 3,990 Cycads, approximately 3,220 will be nursery grown Cycads and 770 will be from GNLG Pipeline right of way (ROW) translocation activities.

The CTMP provides specific assessment, management, monitoring and reporting measures on:

- Translocation of individual Cycads from ROW activities.
- Nursery cultivation of Cycads, including not only seed collection and propagation, but also monitoring, management and evaluation.

For the purpose of the study, nursery grown Cycads were examined, since they represent the additional environmental and social value, whereas the ecosystem services value from the translocation of the Cycads was deemed negligible. The ecosystem services value created by the CTMP was calculated

by applying the model developed by the World Business Council for Sustainable Development (WBCSD) and the International Institute for Sustainable Development (IISD). It is given by two components. The first is the indirect use value given by the social cost of carbon storage and sequestration, whereas the second is the optional value of future direct and indirect uses of Cycads seeds and plants.

The study shows that, over a 20 year timeframe, the project investment for implementation of the CTMP will create a socio-economic value for local stakeholders of approximately 20 million AUD (net present value), with a social return on the investment of about 300%. Considering a broader timeframe, in 200 years the value created can be estimated at about 72 million AUD with a social return on investment of about 833%.

The study outcomes are important confirmation that management of project operations through a sustainable approach is a key way to create value for local stakeholders and that proper communication of the shared value created is essential for fostering a more supportive environment within which to conduct operations.

**20 mln AUD**

ESTIMATED VALUE CREATED OVER A 20-YEAR TIMEFRAME

**72 mln AUD**

ESTIMATED VALUE CREATED OVER A 200-YEAR TIMEFRAME

## Expert Stakeholder Panel

**For the fourth year running, Saipem has engaged a panel of external stakeholders from internationally renowned institutions to provide commentary on the content of its Sustainability Report. This independent perspective continues to support Saipem's ability to provide a transparent and material disclosure of its sustainability performance. In 2013, Saipem decided to refresh this consultation process by organising the stakeholders into a proactive Expert Stakeholder Panel which was then invited to meet with Saipem's business leaders to discuss strategy and materiality prior to drafting of the Report.**

The Panel is designed to improve the impact and relevance of Saipem's sustainability reporting by representing the Company's diverse stakeholder groups. As is done every year, the Panel has been partially renewed by the replacement of three experts in order to maintain compliance with the following criteria:

- **Category:** must represent a major stakeholder including civil society, industry associations, academia and investors, in order to provide a mix of critical, advocacy-based stakeholders, mainstream stakeholders and expert stakeholders.
- **Stake (Interest):** must be able to provide perspectives and insights relevant to a specific theme included in the Saipem Sustainability Report.
- **Independence:** must be independent of significant personal or organisational contact with Saipem.
- **Geography:** must represent a major geographical area in which Saipem operates, with a preference for specialists with expertise in developing and emerging markets.

As independent experts, Panel members are required to express their own opinions, which do not necessarily represent those of their organisations. They analyse the full, final draft of the document and, for a specific topic falling within their specific fields of competence, provide comments on pertinence, impact, key strengths, weaknesses and opportunities for improvement. They also draft a final joint statement on Saipem's reporting approach and content.



To maintain the objectivity and fairness of the Panel, an external organisation, BSR (Business for Social Responsibility), was again appointed to oversee the process. BSR facilitated in-person discussions between Saipem and the Panel, collated expert commentaries, verified that they were inserted into this Report without censorship or subjective editing, and 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 providing advance input, and reviewing and commenting on the Report.

### Saipem Expert Stakeholder Panel 2013-2014: Comments and Biographies



#### **Business long-term perspective, governance and ethics** ***Stéphane Prévost, La Financière Responsable***

Saipem operates as an oil and gas industry contractor in various countries worldwide and often in very demanding technical conditions. The Company simultaneously faces an intense level of competition and major challenges identified in its commitment to 'developing long-term competitiveness' (risks management, governance, business ethics, corruption, etc.).

The Report demonstrates that Saipem has understood these issues and challenges.

At Group level, Saipem has formulated commitments describing its approach to addressing these in its operations and in industrial responses to Client demands. Over 2013, the Group appears to have taken steps towards enhancing

project risk assessments and internal controls and addressing reputational and corruption issues (at project level and oversight the branches).

On the one hand, the Report in itself is undoubtedly rich and offers plenty of information on sustainability issues and concerns that could be of interest from both the perspective of corporate communication and stakeholders. On the other hand however, it is unfortunate the reader is not presented with a clear thread reflecting the Company's strategy as it is revealed in its actions and commitments. The risk is that the Report could be regrettably perceived as a general annual recording exercise which does not convey the real dynamic of progress and commitment sustained by the Company, nor the difference Saipem is making among its peers in the oil services industry. The relevance of topics and actions underpinning the Group strategy should be outlined more clearly and presented in a manner that is understandable for all stakeholders. Specifically, the Report could highlight how Saipem addresses different CSR issues by distinguishing what concerns maintaining a license to operate within the industry (expertise and know-how, safety, environmental performance, risk and performance assessment at project level, anti-corruption measures, legal compliance) and what has a bearing on key factors of success and factors of differentiation for Saipem compared to its competitors (local communities, procurement and local content, vendor qualification process and analysis). Such an approach could considerably enhance the value and relevance of the 2013 Report and the year of efforts made at Group level.

### **Biography**

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 in growth stock picking. Prior to creating this company, Stéphane began his career in 1995 as a consultant in social business at 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 working on equity capital contributions for solidarity structures. In 2001, he joined Ixis Asset Management as European equity analyst and became portfolio manager specialising in SRI.



### **Competency and People Management** **Graham Baxter**

As the CEO acknowledges in his introduction, one of the Company's key resources is Saipem people.

The Company's declared strategic focus on the toughest and most technologically challenging projects means it must be exceptionally capable of maximising the business value of its people through the provision of a safe and healthy operating environment, continuous professional training and effective recruitment and development of local staff. The safety performance, tragically marred by the six fatalities during the year, achieved the low end of the Company's declared target range.

This is worse than last year's performance with an increase in minor accidents cited as the cause, which could indicate a worrying loss of focus. However, application of the exemplary risk-based safety management system (well described on p. 48), the relentless focus on Safety Leadership and culture (LiHS), periodic safety campaigns such as Hand Injuries Prevention and above all HSE training for all staff and contractors should drive improved performance in coming years. Saipem's commitment to the good health of all its people is demonstrated through the programmes described. Of particular note is the impact of the telehealth monitoring programme (CVDPP) on heart disease especially given the locus of Company operations. Saipem is also active in aggressively tackling Malaria both in its workforce and in affected communities with generally positive results although the rising (if numerically small) trend in case rate in the Congo should be explained. The Company's deep commitment to competency development is amply demonstrated in the chapter devoted to this topic. I would recommend incorporating an introductory description about overall approach to better grasp the key challenges, priority objectives and performance targets and provide context against which the focus areas can be judged.

### **Biography**

Graham Baxter is an independent consultant working with major international companies and NGOs on sustainability challenges. Graham worked in the Oil&Gas sector for over 30 years mostly with BP Plc in roles including geologist, commercial and strategy analyst, Business Manager in the North Sea and regional adviser in the Global Gas business. In 1999, he joined BP Solar where he ultimately became VP of Solar Solutions. From 2003 he became BP Group Vice-President for Corporate Responsibility, developing a comprehensive corporate responsibility framework for the organisation. During this period, Graham was also a founding Board member of the Extractive Industries

Transparency Initiative. From 2007 until 2013 he was a Senior Advisor at IBLF where he focused on Inclusive Business models and Sustainability Leadership agendas.



### **Local Development** ***Louis Guay, St. Paul University***

The Report demonstrates that Saipem understands the importance of developing Local Content as part of its commitment 'to creating long-term value and sharing it' with all its stakeholders (and in this instance, the local communities). Saipem's commitment to 'partnering with local communities' is also well articulated. Some of the offered evidence would be stronger if illustrated by more examples of actual partnerships rather than by underscoring unilateral actions taken by Saipem. The Report is clear about the business and sustainability significance of building individual capacities (local manpower); however, the efforts being deployed by Saipem to permanently enhance the capacities of local educational institutions (training-the-trainers) is not explicit enough. There is little or no mention of engagement between Saipem and local governmental institutions towards ensuring that responsibilities almost wholly assumed by Saipem at a given point in time, such as manpower training, be eventually assumed gradually and more wholly by their rightful holders: local governmental institutions. The reported application of Saipem's own Externalities Local Content Evaluation (SELCE) to four countries (Australia, Nigeria, Saudi Arabia and Indonesia) demonstrates that Saipem has developed yet another field of expertise: social engineering. Beyond evaluating the economic impacts, it would be very useful if SELCE could apply to other elements of the Human Development Index (e.g., employment and education levels, etc.). The Report would benefit from clarifying how lessons learnt from delivering programmes and projects in many parts of the world are shared across the Saipem corporation, e.g. is there a hub for sharing that knowledge? To this effect, there are useful learnings from Saipem's accomplishments over the years as reported in the Health and Safety chapter in the 2013 Sustainability Report. Finally, the statistics provided on Local Content and community, by and large, do not convey a sense of progress or even a pattern. Comparative figures with past year(s) should be provided to show progress preferably in a dashboard presentation. This would considerably enhance the value and relevance of the Report on a prolific year.

### ***Biography***

Louis Guay, a former Canadian Diplomat, is currently a Senior Fellow at St. Paul University as well as a Consultant. He also serves on the Board of an NGO devoted to Community Development (SOPAR) and belongs to the Environmental and Social Responsibility Society of the Canadian Institute of Mining, Metallurgy and Petroleum (CIM). Prior to this, Mr. Guay was Canada's Ambassador to Gabon and Equatorial Guinea. With the Canadian Department of Foreign Affairs, he was involved in trade policy and conflict management initiatives, including in Sudan, Sierra Leone, Haiti and Niger. He was Special Assistant to the United Nations Envoy of the Secretary General to Niger (2008-2009). His last assignment as a Public Official was as Coordinator for Corporate Social Responsibility for the Americas (2009-2011).



### **Supply Chain Management** ***Paul Holleson***

The Report speaks to the materiality of the overall management of Saipem's supply chain, acknowledging many of the risks involved, and outlining numerous mitigation measures. Given the thematic structure of the Report, these disclosures are dispersed, and a more detailed introductory discussion noting the location of examples and additional discussion would assist the reader. While detail is provided regarding the initial quality assurance process, more information on the methodology to select which vendors will be audited, and a disclosure of how supplier environmental and community impacts are audited, would be helpful. In the discussion on the Saipem Campaign for Vendor Social Responsibility, actual numbers, including trends, on the termination of vendor contracts due to non-compliance with Saipem's standards, or other breaches, would also be an interesting insight. A definition of 'local' regarding the 51% of goods and services procured should be included, as should historical trend reporting to enable readers' to assess if progress is being made over time. It would also be interesting to understand how Saipem balances localisation with competing global cost and standardisation pressures. While the Report addresses the upholding of human right provisions in the management of its contract security, it would be useful to expand on what international frameworks are being drawn on in this regard; for example, if the



Voluntary Principles on Security and Human Rights or other benchmarks are referenced. Additionally, Saipem releases a number of supplementary reports, and greater connection between these documents would make access to information easier. A reader comparing the 2012 and 2013 reports would find no explicit response to prior panel recommendations to include reporting on supply chain sustainability themes considered at board level, nor the number of Frame Agreements which include specific provisions to increase sustainability performance. The Sustainability Report could link the reader directly to the 'Expert Panel Comments and Implementation' document, where this information can be found.

### **Biography**

Paul Holleson is an independent consultant with over 18 years of international experience in the sustainability field. Key areas of expertise include the facilitation of multi-stakeholder dialogues, strategic and operational integration of the management of community and environmental issues, human rights and security, and mining's contribution to society. Paul was previously Vice President: Environment and Community Affairs at AngloGold Ashanti, a South African domiciled multinational gold mining company.



### **Human Rights and Labour Conditions** **Emma Wilson, International Institute for Environment and Development (IIED)**

Saipem's 2013 Sustainability Report includes some notable achievements relating to human rights and labour standards. Saipem is committed to human rights clauses in security contracts, termination of contracts for non-compliance, and training of law enforcers and subcontractors in relation to security (p. 36). In 2013, the certification of applicable vessels to the Maritime Labour Convention 2006 relating to fair labour standards was a significant milestone (p. 38).

An analysis of Saipem's community- or worker-related grievance mechanisms would be a valuable addition to the Report, as these mechanisms are essential for responding to concerns and monitoring performance on labour standards and human rights. The Report could be made stronger with more coverage of Saipem's country risk assessments and human rights risks assessments relating to countries with particular ongoing human rights risks, such as Azerbaijan and Nigeria. In future reports, Saipem might also want to consider specific topical human rights issues that might affect their operations, for example the recent disputes between First Nations and the government over land rights in Northern Alberta.

Saipem's Campaign for Vendor Social Responsibility to address labour standards in the supply chain is welcome, although p. 28 could provide greater detail or illustrative examples of how the programme has addressed issues in specific locations, and the programme's impact. For a future Sustainability Report, Saipem might also track the progress of Venezuela's Vendor Forums on labour standards and provide stakeholders with a sense of the impact of these forums over time. Human rights risks related to security are adequately covered on p. 36. However, Saipem's framework for communicating its human rights efforts could be further detailed. Saipem's Code of Ethics, which is a guiding document for all Saipem operations, refers to the UN Guiding Principles on Business and Human Rights. Future sustainability reports could explain how the Company explicitly engages with the UN Guiding Principles as a broader framework for understanding and addressing human rights issues throughout their operations, including due diligence, labour standards, indigenous rights, meaningful consultation and access to remedy in case of human rights violations. Saipem needs to consider the full range of its stakeholders who may read this Report because of their interest in human rights issues (p. 5). While country/project reports are aimed at local communities, some local civil society groups may also want to read this Report. Others who might be interested in human rights, such as international and national NGOs, researchers and the media are not mentioned.

### **Biography**

Dr. Emma Wilson is a principal researcher and Energy Team leader at the International Institute for Environment and Development (IIED) – a non-profit policy research institute in London. Emma has over 16 years' experience of working on the energy sector and sustainable development. Her research focuses on how investment and business models can be targeted towards sustainable use of energy. This includes corporate responsibility, transparency, conflict and company-community relations in the Oil&Gas sector; and community-based decision-making. Emma has worked on the Oil&Gas sector and community development in the Russian North and Far East, Nigeria, Azerbaijan, Kazakhstan and Qatar.

## Methodology and Reporting Criteria

### 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 3.1. 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.

The report is published annually and it is approved by the Board of Directors. It is distributed at the Shareholders' Meeting convened to approve the Annual Report.

### Materiality analysis

In order to define the sustainability themes considered most significant, both within the Company and in relation to stakeholders, a materiality analysis was once again carried out in 2013, hence for the third year running.

The first step entailed identifying the significant aspects which are considered in the analysis in order to pinpoint those that are material. The identification is based on the sustainability context and on the analysis of the stakeholders involved. In order to simplify analysis and comparison of results, the 23 topics identified were broken down into 8 macro categories.

Area	Topic
Local Content	Local Employment, Local Supply Chain.
Local Communities	Local community Engagement, Initiatives for Local Communities.
Corporate Governance	Governance of Sustainability, Sustainability-linked remuneration.
Business Ethics	Approach on Ethics, Human Rights and Labour Conditions.
Environment	Energy, Water, Spills, Biodiversity, Waste.
Climate Change	Approach to Climate Change, Emissions, Renewable Energy Sources.
Health & Safety	Safety, Contractor Management, Asset Integrity & Emergency Management.
Human Resources	Diversity, Labour Relations, Training and Development.

The level of internal significance was set by the Sustainability Committee, with due regard for the Company's principles and values, its business strategy and objectives, as well as the skills and distinctive factors for which it stands out in its market segment.

The level of external interest was surveyed by combining a) a sustainability benchmarking analysis of 18 of Saipem's main Clients with b) the results of the requests and interests that various stakeholders submitted to Saipem over the course of the reporting year and c) the results of a frequency and relevance analysis with which the topics dealt with appear in the questionnaires of financial analysts and rating agencies.

The materiality of topics is determined by the nexus of internal and external significance. For the first time, the results of this analysis were submitted to a panel of external experts in order to obtain preliminary feedback before the Sustainability Report was drafted.

Selection of the activities and programmes that would be reported in detail in relation to themes identified as 'material' was carried out with due consideration for the sustainability context, assigning greater weight to those issues and geographical areas in which the Company has a more significant impact.

### Materiality analysis results and report content

The most significant themes, which are Health & Safety, Local Content, Local Communities, HR Management, Business Ethics and Environment, 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.

### The reporting boundary

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 of its subsidiaries, including any companies involved in joint ventures with it, for the period 2011-2013.

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.

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.

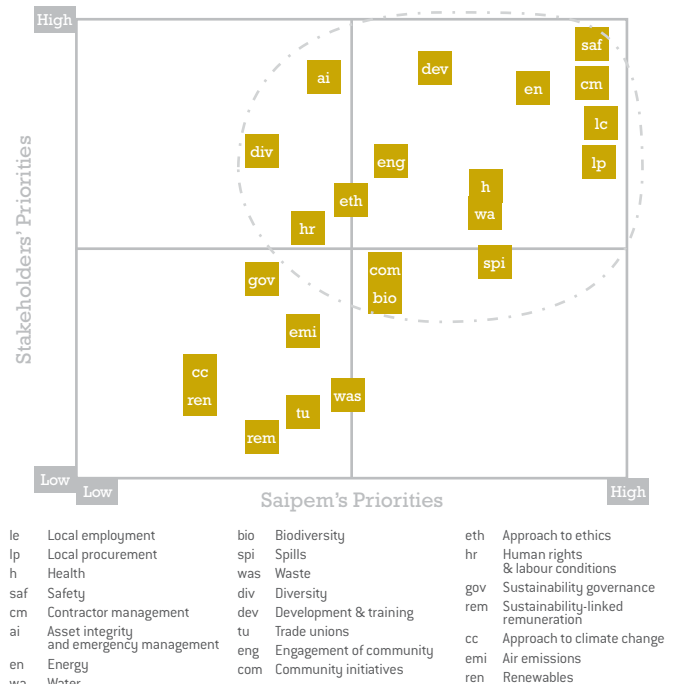
For different kinds of data, the operational criterion is adopted, which is to say that the Saipem Group reports 100% of operations in which Saipem SpA or one of its subsidiaries exercises operational control.

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

To assure the reliability of the information provided and to improve the reporting process, 'Saipem Sustainability 2013' is subject to limited assurance by the same external independent auditor used for the Consolidated Financial Statements and for 'Sustainability Performance 2013' (the Addendum included in the Saipem Group's Annual Report).

#### MATERIALITY ANALYSIS RESULTS



## Assurance Statement



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### Independent auditors' report on the limited assurance engagement of the "Saipem Sustainability 2013" Report of Saipem Group

To the Shareholders  
of Saipem S.p.A.

1. We have carried out the limited assurance engagement of the "Saipem Sustainability 2013" Report of Saipem Group (hereinafter "the Group"). The Directors of Saipem S.p.A. are responsible for the preparation of the "Saipem Sustainability 2013" 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 2013" 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 2013" Report is free from material misstatements. A limited assurance engagement of the "Saipem Sustainability 2013" Report consists in making inquiries, primarily with company's personnel responsible for the preparation of information included in the "Saipem Sustainability 2013" Report, in the analysis of the "Saipem Sustainability 2013" 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 2013" Report with those included in the Group consolidated financial statements as of December 31, 2013 and for the year then ended, on which we issued our auditor's report on April 8, 2014, pursuant to art. 14 and 16 of Legislative Decree n. 39 dated January 27, 2010;
  - b. analysis of processes that support the generation, recording and management of the quantitative data presented in the "Saipem Sustainability 2013" 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 2013" 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 2013" Report;

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- interviews and discussions with PT Saipem Indonesia's personnel carried out in Karimun (Indonesia) and on-site verifications at operations in Karimun (Indonesia);
  - analysis, on a sample basis, of the documentation supporting the preparation of the "Saipem Sustainability 2013" 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 2013" Report;
- c. analysis, on a sample basis, of the compliance of the qualitative information included in the "Saipem Sustainability 2013" 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 2013" 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 2013" Report.

No procedures have been performed on data and information reported in the paragraph "Measuring the socio-economic footprint generated by Saipem's Local Content strategy", within the section "Local Content approach: delivering shared value" and in the paragraph "Measuring the socio-economic value created by ecosystem services", within the section "Minimising environmental impacts" of the "Saipem Sustainability 2013" 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 April 3, 2013.

3. Based on our work, nothing has come to our attention that causes us to believe that the "Saipem Sustainability 2013" Report is not in compliance, in all material respects, with the reporting principles stated in the paragraph "Methodology and Reporting Criteria".

Milan, April 8, 2014

Reconta Ernst & Young S.p.A.

Pietro Carena  
(Partner)

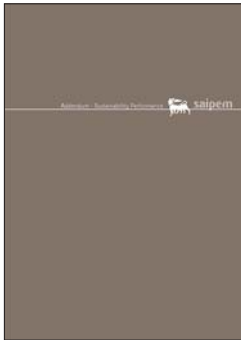
## More on Saipem

### Reports and publications:



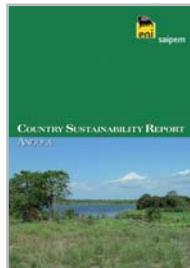
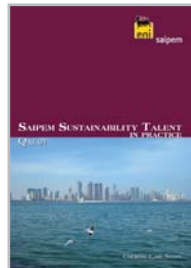
#### Annual Report:

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](http://www.saipem.com)

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

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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](mailto:sustainability@saipem.com) or else insert them directly on the form included in the Interactive Report which can be accessed via [www.saipem.com](http://www.saipem.com).

Special thanks to all those who contributed to the drafting of this report.

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