

saipem



Sustainability Report 2008

Mission statement

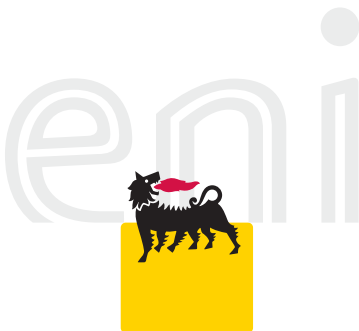
Pursuing the satisfaction of our clients in the energy industry, we tackle each challenge with safe, reliable and innovative solutions.

We entrust our competent and multi-local teams to provide sustainable development for our company and the communities in which we operate

Our core values

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

saipem



About this report

For Saipem, the Sustainability Report is a primary tool for reporting on activities and results, as well as a way of providing information to stakeholders and conducting a dialogue with them.

The 2008 Report covers the principles which guide the company's actions and the performance that has been achieved. It explains the objectives that have been reached – comparing them to the ones previously stated and the future objectives. It also shows the results of Saipem's engagement with stakeholders. Considering the diversity and complexity of Saipem business and organisation, Saipem Sustainability Report focuses its attention and describes some relevant aspects of the comprehensive sustainability approach (for further details on the accounting and reporting system see 'Methodology' at the end of the Report).

The Report has been structured to provide easy access to key indicators and information. It is divided into three parts.

The first part describes Saipem's business model and how sustainability is integrated into it. It also describes Saipem's governance model and its strategy for Sustainability, and includes a section on identifying and engaging with stakeholders.

The second part of the report describes Saipem's performance, including quantitative information and relevant KPIs. It is divided into five Pillars: People, Assets, Environment, Subcontractors and Suppliers and Customers.

Finally, to underline Saipem's widespread presence in the world and its decentralised organisation, the third part of the report provides details of the activities among local communities where Saipem operates, either on a long or short-term presence.

The document follows the existing international guidelines for sustainability reporting, in particular the Global Reporting Initiative (using the GRI/G3 Guidelines, 2006 edition regarding the definition of the reporting principles), as indicated in the table at the end of this Report.

www.saipem.it

This publication can be read on or downloaded from Saipem web site, which also has a dedicated Sustainability section that provides additional information on Saipem approach to Sustainability.

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To Our Stakeholders



Message from the CEO

Welcome to the 2008 Saipem Sustainability Report. This Report aims to give you a deep understanding of how sustainability is truly part of our business. Saipem is committed to creating value on a long-term basis, by working with our customers, partners, suppliers, subcontractors and local communities, towards shared goals.

As an international industrial group with more than 37,000 employees and a presence in more than 50 countries, Saipem plays a significant role in its market in the economic development and welfare of the individuals who collaborate with us, as well as the communities in which we operate.

The nature of our business has always required us to pay serious attention to social and environmental factors when executing our projects. Without this comprehensive approach, we would not have been able to succeed in so many diverse and complex contexts. Nowadays we are even more determined to provide our customers with services that are marked by a distinctive performance in these areas.

In 2008, despite an increasingly dramatic macro economic environment, Saipem achieved revenues of €10 billion, a rise of 8.4% compared to 2007. A major highlight of 2008 has been the completion of the organisational and operational merger of Snamprogetti and Saipem, resulting in a fundamental change in the group organisation. Saipem has now consolidated its multi-local presence of around 200 decentralized entities, including operating companies, branches, engineering centers and hubs, while at the same time as improving processes and interfaces throughout the group.

Safety remains a primary goal: we continue to strive for our ultimate objective of zero injuries. It is therefore with great regret that we report the deaths of eight people in 2008, five Saipem employees and three subcontractors. Four of the fatalities, as well as four other injuries, occurred in a single accident on the Saipem 7000 in September. This was a stark reminder of the importance of our fundamental goal. Pursuing this objective with all our strength remains a solemn duty towards our colleagues. In recent years, we have been making our most sincere, concerted, and profound effort to take better care of our people through the Leadership in Safety Programme. However, the occurrence of serious accidents is an inescapable fact and a reminder that we have a long way to go. All of our people, myself included, are expected to take personal accountability for ensuring their own safety and that of their colleagues.

During 2008, Saipem has also published the new Saipem Code of Ethics, and the new Sustainability Policy has been defined to reinforce, in the most transparent way, our general principles concerning sustainability and corporate responsibility, and our rules for behaviour and relations with stakeholders.

This Report describes what we do and how we do it, helping the reader to discover the multicultural world of Saipem. We believe that in a period of global economic crisis it is necessary to cultivate a climate of increased trust among all stakeholders. I believe that this 2008 Sustainability Report provides clear evidence that Saipem wants to play such a role.

Pietro Franco Tali

Saipem at a Glance

Offshore

Having handled ground-breaking projects ranging from inter-field flowlines to major trunk line systems totalling some 23,000 km in length since the late 1950s, the company has continually updated and advanced its capabilities to anticipate the ever increasing demands of the market. Saipem's pioneering work in pipeline installation is matched by its experience in installing offshore platforms around the world, in which it has mastered both the heavy lift and the float-over techniques. Over the last ten years, Saipem has completed some 120 offshore construction projects – including modular deck drilling and production platforms, integrated deck platforms, wellhead platforms, accommodation platforms, FPSOs – increasingly often in an integrated contractor role.

Since the 1970s, Saipem has also been involved in the construction of marine terminals, conventional buoy moorings, jetties and piers.

Saipem's offshore construction EPIC capabilities are also supported by significant and growing fabrication capabilities based at the core of major oil & gas provinces. These encompass its wholly owned subsidiary Intermare Sarda in Italy, the Rumuolumeni yard in Nigeria, the Petromar Soyo yard in Angola, the Boscongo Pointe Noire yard in the Republic of the Congo, the Kuryk yard in Kazakhstan, the BOS Shelf yard in Azerbaijan, and the Sharjah yard in the UAE. The current potential of Saipem fabrication facilities exceeds an aggregate of 130,000 t per annum.

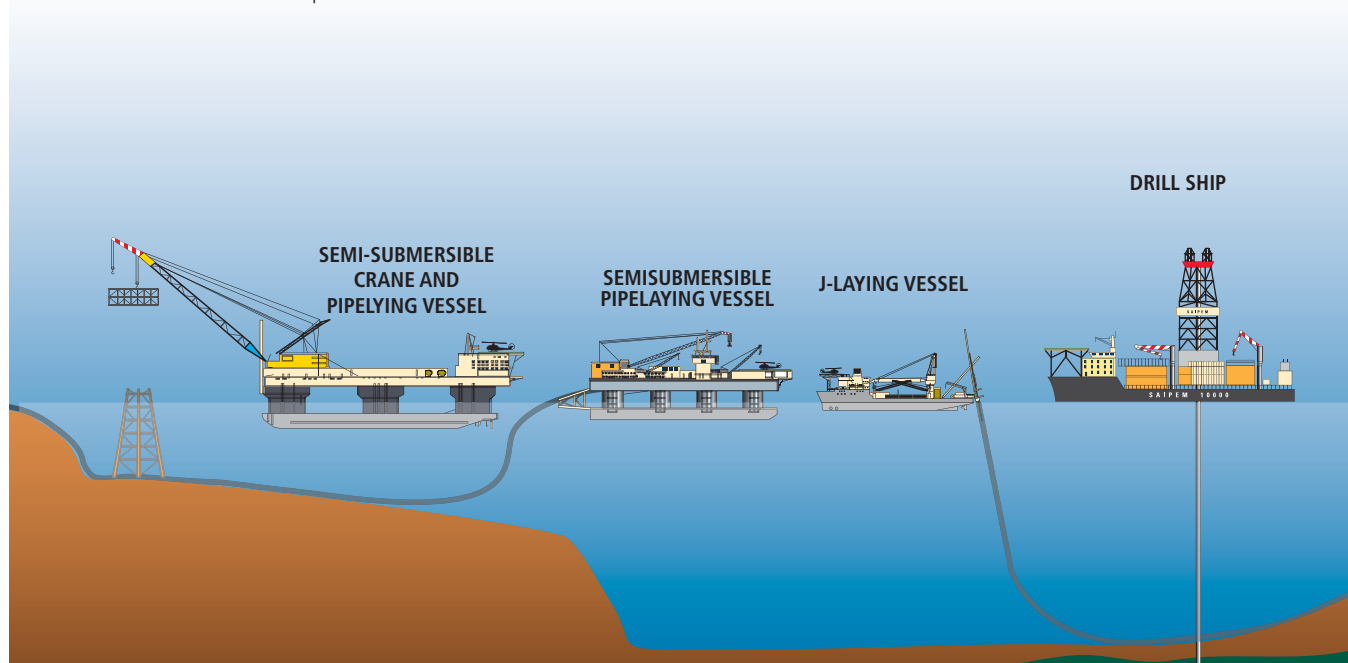
FPSO (Floating Production Storage and Offloading) units are part of Saipem's offshore construction line of products, both as new-builds, delivered turnkey to the customer, and as tanker conversions leased to and operated for the customer.

Drilling

Saipem is presently contracted to a number of major oil companies, carrying out important drilling programs in Europe, FSU, North and West Africa, Middle and Far East and Americas. It has operated for several oil companies and government agencies, gaining international and qualified recognition. Drilling services continue to be distinctive, working in many of the oil & gas industry's 'hotspots', frequently in synergy with the group's onshore and offshore activities.

Over many decades of performance, Saipem has drilled over 6,400 wells, 1,600 of which have been offshore, totalling an overall depth of about 16 million metres.

Saipem operates both in shallow and deep water using jack-ups and semisubmersible units.



MAIN ECONOMIC INDICATORS 2008		(€ million)
OFFSHORE		
Backlog as at December 31		4,682
Capital expenditure		763

MAIN ECONOMIC INDICATORS 2008			(€ million)
DRILLING	Offshore	Onshore	
Backlog as at December 31	3,759	1,463	
Capital expenditure	796	425	

Onshore

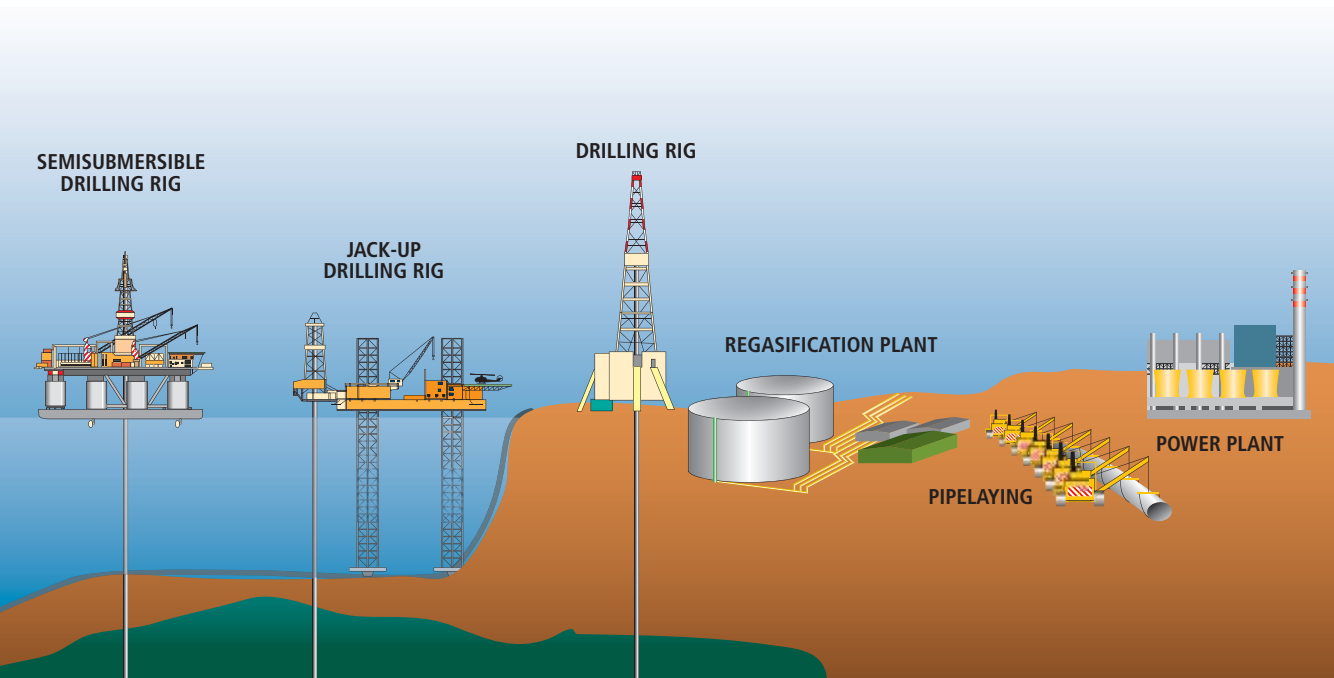
Saipem offers a complete range of project definition and execution services, from feasibility and front-end studies to design, engineering, procurement and field construction (EPC). It offers these services in virtually every world market, leveraging its specialised skills across the most significant product lines in the oil, gas, refining, chemical and power industries.

The company offers integrated solutions ranging from upstream engineering to turnkey delivery of complex facilities, including onshore production, gas treatment and processing plants, pumping and compression stations and terminals.

Land pipeline design and construction, particularly cross-country, has historically been one of the mainstays of Saipem's business. In this market, Saipem ranks among the largest contractors in the world, having laid a record 62,000 km of pipelines on five continents.

Onshore activities include also oil refining and the monetization of gas through processing and into chemicals. The former Snamprogetti business has designed and built 37 grass-roots refineries, more than 500 process units and more than 400 plants worldwide to produce chemicals from natural gas. In recent years, the company has also designed and constructed more than 40 power plants, applying various process solutions and turbines, as well as three Integrated Gasification Combined Cycle plants, two of which are the world's largest, with a total capacity of approximately 5,000 MWe.

Saipem plays a significant role in the design and execution of a large-scale civil infrastructure projects and also offers integrated environmental remediation services, such as those relating to soil and ground water, for contaminated sites of all types, both decommissioned and operational.



MAIN ECONOMIC INDICATORS 2008

(€ million)

ONSHORE

Backlog as at December 31

9,201

Capital expenditure

60

Presence in the world

REST OF EUROPE		
Revenues	(€ million)	878
Investments	(€ million)	9
Workforce	(units)	4,793
Local Workforce	(units)	3,480
Energy consumption	(toe)	63,095
HSE Training	(hours)	29,444



ITALY		
Revenues	(€ million)	1,135
Investments	(€ million)	68
Workforce	(units)	5,982
Local Workforce	(units)	5,466
Energy consumption	(toe)	14,566
HSE Training	(hours)	125,996



AMERICAS		
Revenues	(€ million)	590
Investments	(€ million)	233
Workforce	(units)	4,562
Local Workforce	(units)	3,954
Energy consumption	(toe)	115,130
HSE Training	(hours)	74,357



WEST AFRICA		
Revenues	(€ million)	1,950
Investments	(€ million)	49
Workforce	(units)	6,471
Local Workforce	(units)	4,334
Energy consumption	(toe)	56,633
HSE Training	(hours)	146,953



Additional €1,463 million of investments are assigned to Assets, not allocated by Areas.



RUSSIA		
Revenues	(€ million)	1,092
Investments	(€ million)	107
Workforce	(units)	5,566
Local Workforce	(units)	4,004
Energy consumption	(toe)	86,502
HSE Training	(hours)	325,588



REST OF ASIA		
Revenues	(€ million)	1,375
Investments	(€ million)	26
Workforce	(units)	3,533
Local Workforce	(units)	2,327
Energy consumption	(toe)	34,682
HSE Training	(hours)	86,170



NORTH AFRICA		
Revenues	(€ million)	1,475
Investments	(€ million)	8
Workforce	(units)	1,783
Local Workforce	(units)	983
Energy consumption	(toe)	35,991
HSE Training	(hours)	47,626



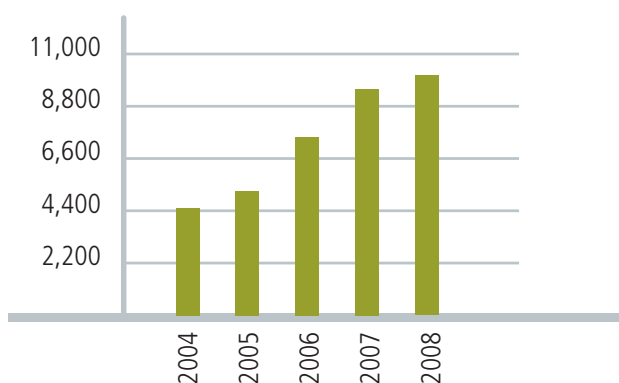
SAUDI ARABIA		
Revenues	(€ million)	1,599
Investments	(€ million)	81
Workforce	(units)	5,300
Local Workforce	(units)	5,099
Energy consumption	(toe)	64,439
HSE Training	(hours)	210,281

Saipem financial results

Despite the difficult market scenarios emerged at the end of the year, 2008 results has been positive for the Group. New orders amount for €13.9 billion (+17% compared to 2007) whilst the order backlog counts for €19.1 billion (+24% compared to 2007). 2008 confirmed the strong presence in the Saipem portfolio of National Oil Companies.

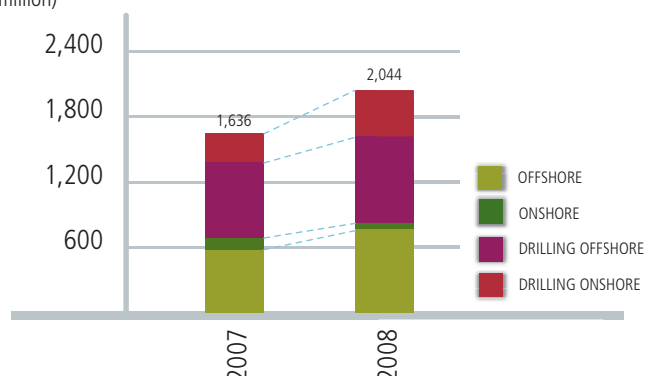
Revenues reached the new highest value in Group history at €10,094 million, with an operating profit of €1,084 million (10.7%), with a constant average growth in the last five years of 22.2%.

REVENUES TREND OVER THE LAST 5 YEARS
(€ million)



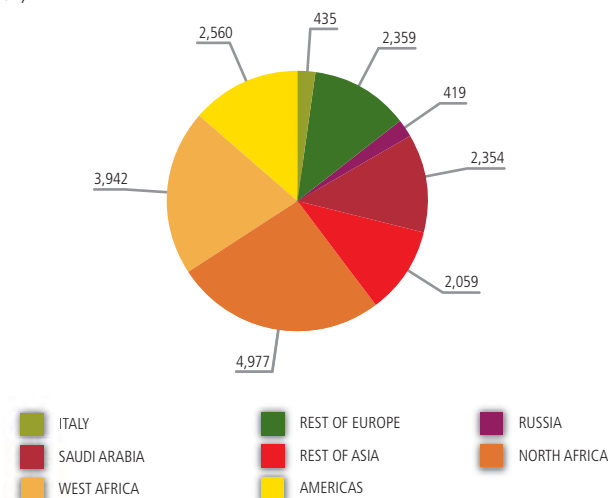
In terms of investments, Saipem has launched the Biggest Capex Plan in the Industry, and in 2008 has invested over €2 billion (+25% compared to 2007).

INVESTMENTS, TREND 2007-2008
(€ million)

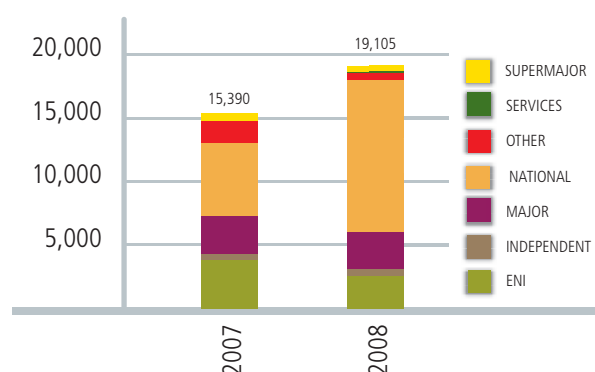


The 2007 income statement has been reclassified to include dismissal of some companies of the Group. For any detail, please refer to the 2008 Financial Report.

ORDER BACKLOG BY AREA
(€ million)



ORDER BACKLOG SEGMENTED BY CUSTOMER TYPE
(€ million)



OPERATING PROFIT AND COSTS BY DESTINATION			
(€ million)	2006	2007	2008
Operating revenues	7,517	9,318	10,094
Production costs	(6,549)	(8,118)	(8,655)
Idle costs	(61)	(48)	(41)
Selling expenses	(109)	(102)	(109)
Research and development costs	(23)	(21)	(13)
Other operating profit (expenses)	(1)	(9)	(10)
CONTRIBUTION FROM OPERATIONS	774	1,028	1,266
General and administrative expenses	(175)	(176)	(182)
OPERATING PROFIT	599	852	1,084
Financial expenses	(100)	(104)	(96)
Income from investments	45	14	34
ADJUSTED PROFIT BEFORE INCOME TAXES	544	762	1,022
Income taxes	(157)	(223)	(280)
ADJUSTED PROFIT BEFORE MINORITY INTEREST	387	539	742
Minority interest	(3)	(3)	(18)
ADJUSTED NET PROFIT	384	536	724
Gains from disposals	-	301	195
Taxation	-	(7)	(5)
NET PROFIT	384	830	914

RECLASSIFIED CONSOLIDATED BALANCE SHEET

(€ million)	2006	2007	2008
Net tangible assets	2,345	3,562	5,171
Net intangible assets	849	750	755
	3,194	4,312	5,926
- Offshore	1,720	2,114	2,631
- Onshore	603	484	497
- Offshore Drilling	776	1,395	2,149
- Onshore Drilling	95	319	649
Financial investments	153	47	43
Non-current assets	3,347	4,359	5,969
Inventories	1,053	998	1,397
Trade and other receivables	3,261	3,600	4,427
Trade and other payables	(4,434)	(4,969)	(6,606)
Provisions for contingencies	(176)	(183)	(184)
Other assets (other liabilities)	120	152	(88)
Net current assets	(176)	(402)	(1,054)
Net assets available for disposal and associated net financial debt	-	203	68
Employee termination indemnities	(169)	(167)	(173)
CAPITAL EMPLOYED	3,002	3,993	4,810
Saipem shareholders' equity	1,581	2,295	2,757
Minority interest	4	4	21
Net debt	1,417	1,694	2,032
COVER	3,002	3,993	4,810
Leverage (net debt/shareholders' equity)	0.90	0.74	0.74
Shares issued and outstanding	441,410,900	441,410,900	441,410,900

Shareholders

At December 31, 2008, the share capital of Saipem SpA amounted to €441,410,900; it is fully paid up and comprises No. 441,262,713 ordinary shares. Shareholders owning a stake in Saipem SpA in excess of 2% are:

Shareholders	Number of shares	% Equity
Eni SpA	189,423,307	42.91
Capital Research and Management Co	23,172,485	5.25

The origins of shareholders, by geographical area and size of holding is as follows, based on 2008 dividend payments:

Shareholders	Number of Shareholders	Number of shares	% of capital
Italy	20,896	292,377,860 (*)	66.24
Other EU Countries	639	55,846,500	12.57
Americas	455	64,030,675	14.51
UK and Ireland	185	20,792,950	4.71
Other European States	101	4,007,062	0.90
Rest of the World	120	4,715,853	1.07
Total	22,396	441,410,900	100.00

(*) Includes treasury shares with no dividend entitlement.

SAIPEM REWARDS AND ACKNOWLEDGEMENTS



As for the previous year, Saipem for its results during 2008 entered the list of the Global 100 Most Sustainable Corporations in the World. The Global 100 is a list of publicly-traded, MSCI World*-listed companies identified by research and analysis by

Innovest Strategic Value Advisors. The analysis focuses on best developed abilities, relative to industry peers, to manage the environmental, social and governance (ESG) risks and opportunities.

This result is confirmed by the awards received during 2008 such as the Shell CEO 2008 Safety Award and the 2008 Best Environmental Project Award from the Russian Federation's Ministry of Natural Resources and Environmental Protection for the Sakhalin II project. Saipem is also active in sharing its best practices and know-how by participating to sector associations events such as the annual IMCA (International Marine Construction Association) Seminar. Saipem is also member of the IADC (International Association of Drilling Contractors) and IPLOCA (International Pipeline & Offshore Contractors Association) and of several local industrial and employer associations.

(*) MSCI World is a stock market index of world stocks.

Saipem Sustainability Talent

SUSTAINABILITY 08

“ A distinctively sustainable business model ”

As a flexible and competitive operator, Saipem is very well positioned to face the current global turmoil, being able to adjust its operating approaches rapidly. Saipem has consolidated its local presence of around 200 decentralised entities. Its long-established presence has led to the development of deep knowledge of local contexts and communities which is now recognised as a source of competitive advantage.

In 2008, Saipem has defined and issued a new Organisation, Management and Control Model, which includes the new Code of Ethics. In line with the principles stated in the new Code of Ethics, in November 2008 Saipem's Deputy Chairman and CEO approved the new Corporate Sustainability Policy. The Policy brings together the Group's common framework of values and provides the foundation of Saipem Sustainability culture.



saipem



EL MURAL - OIL PAINTING
FROM SOCIAL PROGRAM
PERU

AUTHORS: BRAULIO
SHUPINGAHUA SÁNCHEZ,
ANDY PADILLA ARÉVALO,
EDWIN PAREDES CISNEROS

*The mural invites us to
enter the daily work
of Petrex, showing a
harmonious equilibrium
between nature and man's
work, without damaging
the environment and
improving the quality of
life.*



A distinctively sustainable business model

Overview on market scenarios

In the six year period up to the second half of 2008, the global oil, gas and energy markets in general experienced a major spurt of growth, in which global primary energy demand worldwide increased by around 17%. This was fuelled primarily by rapidly increasing levels of economic activity and rising standards of living in many developing countries, foremost among them being China, India, Brazil and countries of the Middle East and Asia-Pacific regions.

This rapid growth in demand for energy from the developing world has put a strain on the global energy system, requiring a rapid wave of new investments in production capacity for all forms of energy, including transportation and other fuels, electric power and petrochemicals. For example, investments in onshore production capacity for new oil, gas and derivatives jumped by 66% between the 2001/2004 average and 2005/2008.

Furthermore, rising demand growth from new markets and growing energy production from new sources have also caused significant structural changes in the oil & gas industry:

- Investment migration away from traditional sites to new ones, closer to sources of feedstock such as the Middle East or new high growth markets such as Asia and China.
- The emerging role of the National Oil Companies which own most fossil fuel reserves and have taken a lead in investing in new production and conversion capacity, either in cooperation with major western oil companies or autonomously. National Oil Companies now account for more than one half of Saipem's backlog, compared to 43% in 2007 and less than one third a few years ago.

- Growing shortages of skilled engineers, as well as more general execution capability and equipment production capacity, particularly in western countries. This has fuelled the search for talent and new suppliers from developing countries, particularly from India and certain Eastern European and Latin American countries, as well as more recently but just as intensively from China.
- General price increases across the industry: according to IHS/CERA's Capital Costs Indexes and other leading industry indicators, overall price levels have almost doubled in the last four years.
- Increasing levels of oil and gas production from fields which are technically more complex to monetize as a result of composition, depth and other factors, as well as being more remote and distant from major energy markets. Increasing exploitation of these less accessible and more distant natural resources has been made possible by significant breakthroughs in the development and application of new technologies as well as by higher energy prices.
- Evolving business models in the engineering and contracting (E&C) industry. Pressure has been growing to develop ever-larger investments to gain economies of scale, and to design and start them up on a fast-track basis to satisfy surging demand. This has led many owners to prefer a single Engineering, Procurement and Construction (EPC) contract to a world-class contractor, rather than coordinating several parallel, smaller, contracts with various contractors. Thus, around 50% (by total value) of contracts awarded in the oil & gas industry in the last years were larger than €1 billion each.

All of these trends have had significant impacts on the Engineering & Contracting industry and one of the critical

success factors for E&C companies has been their ability to react and to adapt to changing market requirements. In the closing months of 2008, the global financial crisis and pending recession in many leading economies slowed growth in global energy demand along with short-term growth forecasts. This may have an impact on the implementation of new investments in the oil & gas production and processing industry.

While the exact contours of the market developments over the coming years are not fully clear a partial postponement of some new planned investments has been observed. The objectives of current projects appear to match the growth in global production capacity with the growth in demand that is now being forecast, as well as expecting reductions in the prices of supplies of industrial goods and services.

As an integrated flexible and competitive operator, Saipem is very well positioned to face this new challenge. It is able to adjust its operating approaches rapidly and re-balance its activities to include countercyclical

business lines in which it has extensive experience, such as new infrastructure and environment improvement plants.

Growth and Profitability

Following a significant transformation over the last decade, as well as a complex integration process, Saipem has become the largest and one of the most wide-ranging global full-service engineering and contracting (E&C) companies working for the oil & gas industry.

Saipem today is a global powerhouse which can reliably design and build the most complex plants for oil and gas production world-wide. It operates in the transportation and transformation markets, onshore and offshore, as well as executing some of the most challenging drilling operations in the world.

After its last and one of its most important single acquisition, namely of Snamprogetti at the beginning of 2006, Saipem has grown organically in revenue by over 60% from around €6.5 billion in 2005 to around

DIALOGUE WITH THE FINANCIAL COMMUNITY

Saipem's Investor Relations activities are based on continuous dialogue with the financial community. This is carried out in compliance with rules and regulations governing the communication of confidential information designed to provide for full transparency and equal access to information. All relevant documents are made available promptly on the Company website.

As part of its institutional financial communications, in 2008 Saipem organised 30 roadshow days and attended 13 international investors' conferences and events where company representatives presented the company's activities and results (in Europe, USA and South America) reaching the following cities: Milan, London, Frankfurt, Paris, Amsterdam, The Hague, Rotterdam, Edinburgh, Gleneagles (Scotland), Zurich, Geneva, Rio de Janeiro, New York, Boston, Chicago and Yountville (California). Moreover, Saipem organised a field trip day, with fund managers and sell-side analysts, onboard Saipem 7000 vessel.

More generally, in 2008 more than 500 individuals have been contacted during one-to-one meetings, group meetings and conference call or video conference meetings, including portfolio managers and buy/sell side analysts. Furthermore, more than 450 individuals attended the four financial results conference calls.

€10 billion in 2008 as measured by the combined revenue of its constituent entities.

Business Units and Business Model

Saipem focuses primarily on the design and implementation of very large projects in the oil & gas production and processing industries, using its strategic high technology assets as appropriate. Saipem also pursues small to medium size, second tier projects, via a novel lower-cost approach which is based on having a partially dedicated organisation in markets which have lower cost but high efficiency.

Saipem focuses on – and indeed recommends – projects with Engineering, Procurement, Installation and Construction (EPIC) phases assigned to a single main contractor via a single contract. This execution mode, mostly on a Lump Sum Turn Key (LSTK) basis, is considered by Saipem superior to other forms. The discipline imposed reduces the risk of cost or time overruns. Integrated project management allows shorter execution times, by carrying out several project phases in parallel rather than sequentially. The experience curve leads to continuous project-to-project improvements. This execution formula also facilitates more involvement of the local industry, maximising local content, which in turn leads to risk mitigation.

In order to minimise risk and maximise chances of success, Saipem applies the same underlying business model, with customisation as appropriate to suit specific needs. This model is based on utilising the Company's extensive and integrated network of engineering centres in fully developed as well as in emerging markets, with maximum global sourcing of equipment and materials. It maximises local content of engineering, procured items and construction-related subcontractors. It involves direct control, to the largest extent possible, of all phases

of risk, particularly fabrication, using directly owned fabrication yards, field construction and site installation. While continuing to operate widely in established oil markets, Saipem is also emphasizing its ability to enter new frontier and remote areas. These are those characterised by physical difficulties (such as the Arctic or severely cold environments); accessibility challenges (such as certain deserts); vast distances from population centres (such as certain Caspian or Russian sites) or technological challenges (such as deepwater and subsea offshore mega-plants based on top-of-the-line process technologies).

Saipem believes that its industrial model provides the best fit with today's market requirements, as it offers the ability to deal with large and complex projects in exacting geographies, frequently on a fast track basis, assuming the project completion risk within a pre-agreed price and time schedule.

Saipem believes that the model strikes the optimal balance between centralisation and decentralisation. The three business units are quite autonomous and highly decentralised, with a significant degree of commercial and operating responsibility delegated to field units and regional organisations that are close to their markets. The strong, and recently strengthened, corporate functions ensure a unified strategic and operating direction and full compliance with the Company's goals and operating philosophy.

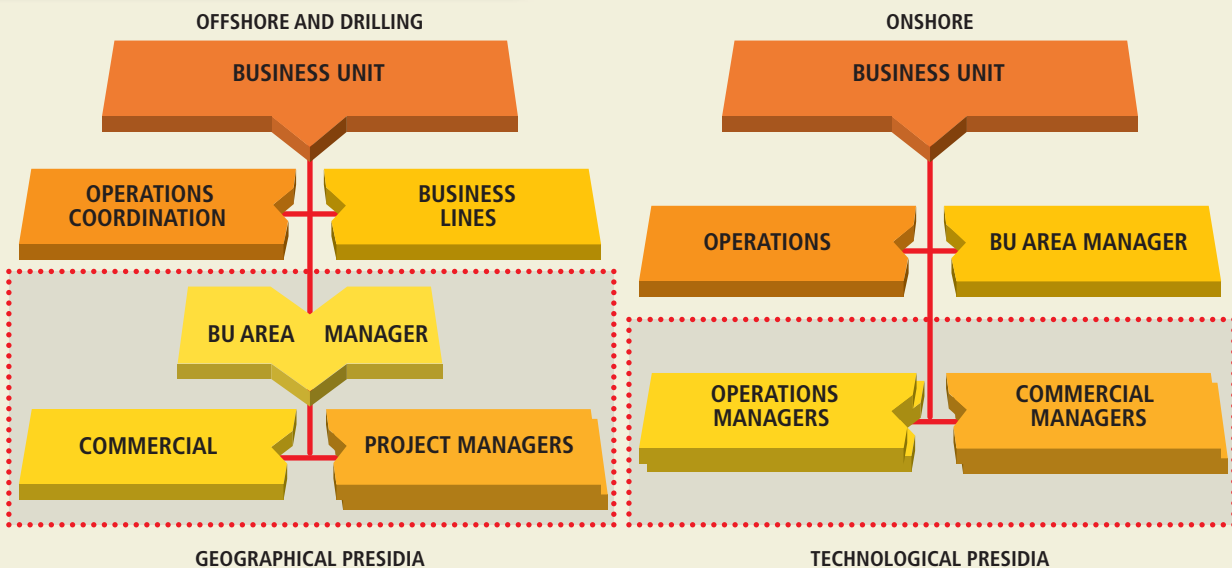
Organisation Model

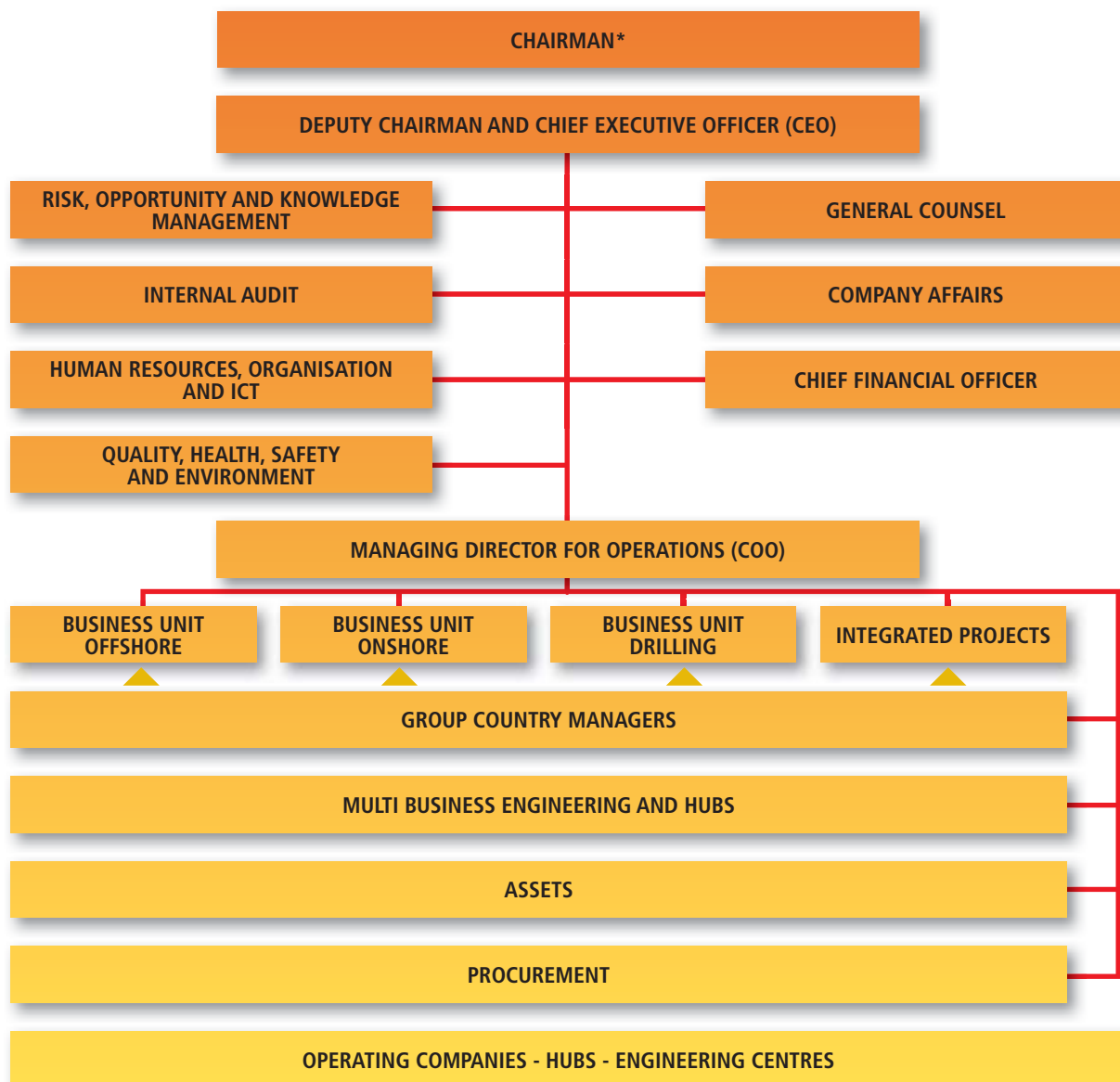
The Saipem Group is a complex entity from an organisational and operational point of view, particularly as a result of the various company integration processes that have been carried out – the latest being the one that led to the merger of Snamprogetti into Saipem, completed in 2008. To manage such a wide organisation

efficiently and effectively, the Group has adopted a 'network model', based on approximately 200 local entities (including operating companies, branches, engineering centres and hubs) with 37,990 employees of different nationalities. Each entity manages its activities autonomously with a central steering role played by Saipem SpA. Saipem's long-established presence in many locations has led to the development of deep knowledge of local contexts and communities which is now recognised as a source of competitive advantage. Saipem's Business Units, Offshore, Onshore and Drilling, are fully responsible for their business results and have a worldwide commercial and operational coordination role as parts of the Group. The Offshore and Drilling Business Units adopt an organisational model based on the localisation of activities with a lean central coordination team in Saipem SpA and strong geographical presence in the areas. On the other hand, the Onshore Business Unit attaches great importance to product and technology specialisation, both from a commercial point

of view and in the management of projects. Each Business Unit appoints a Business Unit Area Manager according to the level of decentralisation of business activities and taking into account business-specific needs. The Area Manager is the business representative in the countries where the Business Unit operates and is accountable for the coordinated planning and implementation of activities carried out for projects being developed locally. Saipem also appoints a Group Country Manager in those countries, characterised by a presence of different business or future perspectives of business development. This is done in order to optimise the use of the resources and capabilities that support businesses in the country concerned and to develop relationships with local stakeholders on behalf of Saipem SpA. Corporate staff and support functions also appoint relevant geographical Area Coordinators as Corporate representatives in the assigned area, responsible for steering, coordination and control of relevant staff and activities.

SAIPEM ORGANISATION MODEL





(*) The Chairman chairs the Board of Directors but does not perform operational activities.

■ BU Onshore

Accounting for around half of the current Saipem backlog and annual revenues, the Onshore Business Unit targets mostly – although by no means exclusively – large and technologically complex multi-billion euro mega-projects, preferably under an EPC contractual framework.

In the upstream, these large projects include oil & gas production and processing. In the midstream they cover liquefied natural gas (LNG) production, oil and gas pipelines, LNG regasification and marine terminals. Downstream activities include oil refining and gas

monetisation via production of chemicals, fertilisers, fuels and power.

On these large projects, Saipem will combine top-of-the-line third party technologies with its own project execution. Typically it will use engineering, project management, procurement and supervision skills and manpower from its main execution centres in San Donato Milanese (Milan, Italy), Paris (France) and Fano (Italy). Subcontracts within the scope of large projects, or full contracts on smaller or simpler projects, will be assigned

to one or more of the design offices in locations including India, Romania, UAE, Nigeria and Algeria.

In the last three years, the Onshore BU has grown organically by 70% in its turnover and 80% in its end-of-the-year backlog.

The following recent project achievements illustrate the successful application of Saipem's strategy of combining the high-tech expertise of home offices in Italy and France with the local know-how of those close to the market:

- In Algeria, contracts had been awarded sporadically for some decades, but Saipem had several hundred workers employed by its Drilling BU. Two years ago, Saipem opened a wholly owned local engineering and project management company 'Saipem Contracting Algeria'. The business has grown from 12 initial employees to over 250, with plans to exceed 350 by end of 2009. The operating base at Hassi Messaoud, close to the centre of the Algerian oil and gas fields, has also been expanded in its manpower, equipment and scope of operations.

Hand-in-hand with this investment, Saipem was honoured by Sonatrach with the award of three large EPC contracts in 2008, for the world-class gas liquefaction plant in Arzew, for LPG processing facilities at Hassi Messaoud and for an LPG pipeline to the coast, all this following a previous award in 2007 for UBTS, a crude processing and stabilisation unit. The LNG project at Arzew demonstrates the trust achieved by Saipem as a main contractor on a world class LNG project. This complex project required a thorough process optimisation to maximise production capacity, since the key licensor-supplied heat exchanger had been previously ordered for a lower throughput. This success follows the company's experience with more than 10 LNG trains, designed and built with partner E&C companies.



PIPELAYING
IN AUSTRALIA

- Over the last few years, Saipem has been awarded, and in some cases already completed, numerous multi-billion contracts with Saudi Aramco for the fast-track design and execution of new Oil Field Development projects, such as Qatif, Haradh III, Khursaniya, Khurais and most recently Manifa. The execution of these very large multi-billion contracts has required large engineering and project teams to be mobilised and deployed, along with an expanding local engineering and liaison office in the Kingdom of Saudi Arabia.
- The synergy within the Saipem Group has been most clearly seen in projects involving pipelines and other onshore transport system components, making it possible for very large integrated projects

to be pursued on an EPC basis. For example, the recently concluded flagship Sakhalin II pipeline system, accompanied by the award of the Shell CEO 2008 Safety Award and the 2008 Best Environmental Project Award from the Russian Federation's Ministry of Natural Resources and Environmental Protection. Other prestigious EPC pipeline awards included the Banbury-Dampier pipeline expansion in Australia, the Trans-Tunisian Transport System Upgrading, the Gbarau Pipeline for SPDC in Nigeria and the UBTG 4 project for Saudi Aramco.

- In process plants, the recent awards of two world class ammonia and urea complexes in Pakistan and Qatar are expected to push the record for the largest single train capacity to 3,850 tonnes/d. Both plants are applications of world leading proprietary Snamprogetti Urea Synthesis technology as well as ammonia technology from Saipem's long-term partner Haldor Topsøe AS.

These examples illustrate the mix of critical factors for success in onshore activities, including the ability to tackle huge projects on a fast-track basis, applications of the most modern process technologies and execution capabilities in very remote and difficult locations. They also show the ability to be effective in developing and utilising local manpower, engineering skills and supplies, as well as lower cost sources of engineering and equipment.

Although historically Saipem has always focused primarily on oil & gas markets, significant undertakings in other diversified markets have always been an integral part of Company's portfolio. The most significant example was the recently completed multi-billion contract for the design and construction of the Milan-Bologna high speed rail track, inaugurated on



High speed rail track bridge on Po river

December 13, 2008, where an integrated rigorous Environmental Impact Assessment (EIA) has been performed.

Within the Onshore BU, Saipem has formalised the creation of a new business line called 'Environment and Renewables'. In addition to pursuing further environmental undertakings (see Environmental Services page 90), this business line will design and build systems to convert renewable sources (wind, biomasses, etc.) into power and other forms of energy (see box on 'Renewable energy sources' page 29).

■ BU Offshore

Consistently with the company's overall strategy, Saipem's Offshore BU also focuses on large and complex EPIC projects, which provide high potential for project-to-project improvement and involve significant investments in local content and specialised equipment. Non-EPIC projects are taken as opportunities arise, although the transport and installation segment remains vital. Key BU challenges are growth, profitability and risk control.

The Offshore BU's strategy is based on the following major priorities:

- Completing the ambitious €2.7 billion capital investment program for 2006-2009 (see the



SAIPEM 3000 VESSEL

Development and Management of Assets chapter) to upgrade the offshore construction fleet and fabrication support yards, in terms both of the quality of the services and their volume capacity, particularly:

- the market segment of trunkline installation, in which several large projects are envisaged in the next few years in Northern Europe, the Mediterranean and the Caspian Sea;
- a new Saipem-owned high volume and competitive fabrication yard, to overcome the recent threat of a capacity shortage in low-cost fabrication in Karimun, Indonesia.
- Developing long-term cooperation agreements with major players, requiring investment or co-

investment in local facilities.

Recent examples are the Long-Term Agreement with Saudi Aramco for the creation of a local fabrication yard in the port of Dammam and the award of a large underwater service contract long-term agreement by BP, for inspection, maintenance and repair of platforms in Azerbaijan.

- Developing a long-term presence in key growth markets such as Kazakhstan, to serve several phases of major new investments.
- In terms of leased Floating Production and Storage Vessels, to continue investing in high growth markets, such as Nigeria, Angola and Brazil by leasing vessels



DRILLING RIG
IN ECUADOR

for operations where the size and life of the field does not warrant a client-owned/operated production facility.

- Pursuing novel and technically challenging concepts: particularly the award for the design and construction, on an EPIC basis, of the world first offshore Floating LNG Storage and Regasification Units off the Italian coast near the city of Livorno.

■ BU Drilling

The Drilling BU, which serves both onshore and offshore projects, is a rapidly growing, technically strong and highly experienced business.

It occupies a high quality niche position in the offshore market. Saipem intends to maintain this position by progressively growing and strengthening its deep water specialisation. This is being demonstrated by the ongoing construction of the semisubmersible rigs Scarabeo 8 and Scarabeo 9, the drillship Saipem 12000, and the jack-up Perro Negro 6.

In onshore markets, Saipem has rapidly grown from a medium size business to the second largest international player, today focusing on operating at new frontiers in harsh environments, as well as remaining in some more established locations.

Key success factors have been the availability of high quality assets, as drilling is a capital intensive business, and the recent growth in the number of jack-up rigs from 50 to 90 in two years.

Onshore, the company's target is to maintain and strengthen its presence in key countries such as Algeria, Saudi Arabia and Venezuela, building on the construction and the purchase of several new rigs. In the future, promising new markets are being targeted. These include Brazil, for which new rigs are on the immediate horizon, Ukraine and other countries in Latin America. In each country, the BU will be applying the corporate strategy which aims to integrate Saipem's activities fully into local economies.

Offshore, the Drilling BU focuses on four primary areas: West Africa, the Mediterranean, the North Sea and the Persian Gulf. For the future, opportunities are under evaluation for a return to the Gulf of Mexico, as well as operations in new or newly opened emerging markets, for example around the Caspian Sea or in Northern Africa.

Support to the business

Saipem's model is based on the ability to operate effectively wherever the business is located. To achieve this, the Group has created functions and built capabilities focusing on the following key drivers: risk management; in-house execution of critical work; frontiers and local content development; quality management system; development and management of Assets; and Research and Development.

■ Risk management methodology

The increasing size of typical projects, their growing complexity in technology and execution, frequent operations in remote frontier regions with hostile climates, reliance on a broader range of global suppliers

and subcontractors: these are all factors which increase project risk significantly. Recognising that risk management is fundamental to a sustainable business, Saipem operates a dedicated Risk and Opportunity Knowledge Management (ROKM) department reporting directly to the CEO.

To ensure that the risk management system is fully understood across the Group, ROKM Senior Staff carried out several visits in 2008 to brief employees around the Group. During 2008 the web-based tool used for ROKM was improved to make it easier to understand and use. Saipem has also developed sets of 'Golden Rules' and 'Silver Guidelines' which are essentially instruments of Governance, defined as 'best practices transferred into essential rules and limits, whose waiver could jeopardise the company's interests and goals'. During 2008, the rules and guidelines were revised and updated so that they can act as 'live' instruments which is maintained and adjusted centrally as needed to show the company's 'risk appetite' at any given time. For example, the instruments set out the levels at which approval of plans or actions must be sought in different circumstances. In 2008 the ROKM methodology was reviewed in the light of the fact that it has not yet been extended to the Drilling BU and does not adequately capture some niche activities in which Saipem is engaged. These exceptions were analysed to assess possible improvements and the basis on which a request of implementation can be made to the managers concerned.

The year 2009 will be devoted to completing the full program of induction and interactive training for all main areas, centres, and project management sites.

■ In-house execution of critical work

The typical process for executing large projects on an EPC basis is to subcontract significant portions

of work to specialised, frequently local, companies. This is particularly true for construction, erection and installation activities which large engineering firms sometimes subcontract wholly to third parties, with varying degrees of supervision. To a lesser extent, engineering firms also subcontract substantial parts of detail engineering work.

In the highly buoyant market of recent years, this process has led to considerable difficulties in ensuring satisfactory and timely project completion. Many subcontractors have found difficult to complete work to which they have committed, and it has proved difficult to achieve quality, cost control and agreed timescales.

To overcome these issues, Saipem has returned to its traditional mode of project execution in its most recent projects, namely to construct all or a significant portion of the work directly. Even in projects in which the subcontracted element is by necessity significant, Saipem will execute the most critical project sections directly using its in-house resources and know-how. Should the subcontractor encounter difficulties in completing the assignment, Saipem is able to step in directly. The same principle has applied to engineering work. This in-house control of the critical EPC/EPIC phases has brought to the projects added capacity, more acceptable levels of risk management and more flexibility.

■ Frontiers and Local Content Development

Maximising local content – in terms of employment and supplies – is one of the main features of Saipem's business philosophy. The local content strategy provides considerable social benefits to the host country, in terms of investments, employment, development of subcontractors and other factors. From Saipem's

perspective, maximising local content means developing continuing relationships with the host country and with local clients and suppliers. This often has beneficial effects on project costs and, most important, diminishes the overall risk profile of the project in question. In 2008 over 85% of the personnel came from the countries in which it operated.

Another aspect of local employment is the growing utilisation of talent from around the world on corporate projects beyond their original home bases. At the end of 2008, almost 70% of Saipem's global multicultural workforce of over 37,000 employees is from over 110 nationalities.

Saipem continues to invest substantially in local facilities, ranging from engineering centres and support yards for maintenance and storage of construction equipment to fully-fledged fabrication yards, where sections of major projects are assembled for onshore field construction or offshore installation. Following the gradual expansion of existing fabrication facilities in Nigeria, Angola, the UAE, Kazakhstan and Congo, and well established engineering and project management centres in Italy, France, the UK, Norway, Romania, Croatia and India, recent years have seen the vigorous development of fabrication centres in Saudi Arabia and Indonesia as well as engineering and project management centres in Algeria, the UAE and most recently Canada.

■ Quality Management System

Saipem strongly believes in Quality as a strategic tool which helps the group exploit the global opportunities of the oil & gas business. The idea of 'Making Quality' in Saipem, as a cross-cultural and multidisciplinary entity, means striving to create the best possible products and

services in order to create value for shareholders and stakeholders.

Saipem has a Quality Management System (QMS) with two main goals: success in the marketplace, and organisational excellence through the lean management of processes.

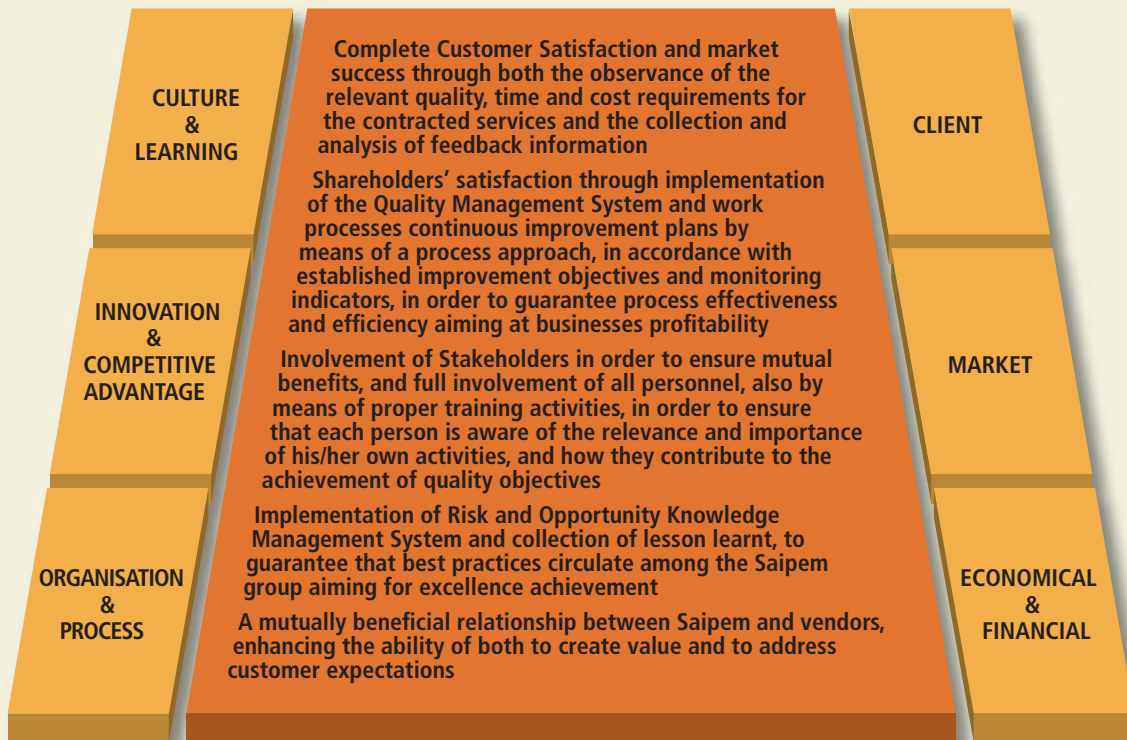
A new release of the Corporate Quality Policy was issued in June 2008. The policy is based on a commitment to all stakeholders – complete satisfaction and market success for customers, satisfaction for shareholders and

full involvement of all personnel and vendors, creating a mutually beneficial relationship.

The tools used to achieve these objectives are the Risk and Opportunity Knowledge Management (ROKM) System (mentioned above) and collections of lesson learned, guaranteeing that best practices circulate throughout the Saipem Group.

Customer Satisfaction will remain a key priority in 2009 as it affects customer retention and therefore profitability and competitiveness. Complete customer satisfaction

QUALITY POLICY



is the key to securing loyalty and thereby generating superior long-term financial performance.

For this reason, and in line with results shown in the 2008 Management Review Meeting, the main objective during 2009 will be the implementation of Customer Satisfaction monitoring. The main tools used will be: indirect and direct evaluation using key indicators; organisation of meetings with clients; and further standardisation of questionnaires in order to develop consistent analysis of feedback to identify areas for improvement and related corrective actions.

A new challenge will be to introduce a scoring system to give a clear and objective measurement of client perceptions.

■ Development and management of assets

Given today's evolving market trends, heavy investments in what are often unique high performance assets represent a major competitive advantage for Saipem, one that determines its distinctive business profile and market positioning. The core competencies Saipem needs to maintain this position are developed and maintained in-house, from conceptual design and engineering – often involving novel and original technical solutions – to management of asset construction and handling of operations and maintenance.

In 2009 Saipem will complete a €4 billion capital investment plan, making this significant effort to sustain its asset leadership in the mid and long-term and developing a coherent approach based on three main drivers:

- A major investment plan, mainly focused on:
 - new high performance assets for offshore and drilling business;
 - updating and improving the operating fleet to

comply with latest regulations, best practices and business requirements;

- construction of a new yard in Indonesia and renewal of Saipem yards located in key strategic areas.
- A constant research and development effort to develop new technologies to be incorporated in Saipem's assets to anticipate and lead the market.
- The development and continuous improvement of in-house core competences, from engineering to construction and maintenance of assets, embracing people, organisation, processes and IT systems.

Saipem's assets, described more in detail in the second part of the Report, can be grouped into:

- Offshore construction vessels;
- Offshore Drilling Rigs;
- FPSOs (Floating Production Storage Offloading facilities);
- Onshore Drilling Rigs;
- Yards and mobile equipment.

Saipem has developed great expertise in operating in deepwater and remote areas, leading to a strong presence that includes a fleet of more than 10 cranes and pipelaying vessels, 10 drilling units (vessels, semi-submersible and jack-up) and 2 FPSOs. The main operational activities of the fleet are:

- Offshore Installation and Heavy Lift Operation;
- Offshore Pipelaying;
- Shore Approach (pipelaying in very shallow water);
- Tie in (lifting of submerged pipe ends for final welding);
- Post trenching (burial of pipes under the sea floor, after pipelaying);
- Drilling and work-over;
- Offshore production.



ERSAI YARD FROM THE
1,000 TONNES QUAY CRANE,
KAZAKHSTAN

All Saipem vessels comply with MARPOL, the major international convention designed to prevent pollution of the marine environment by ships from operational or accidental causes.

Saipem also has a significant presence in frontier areas through its yards and bases, providing critical fabrication competencies and logistical support to all of the group's business units and the fleet.

Yards are located in key strategic areas at the oil frontiers, with a clear commitment to remain local

players in each area. This can be achieved through a solid network of project support activities built on three fundamental core competencies: the capability to establish strong connections between local and corporate engineering; worldwide logistical support for personnel, assets and project materials; and a recognised capacity to manage locally the wide-ranging challenges that have to be faced in these developing environments.

The most important initiative is the ongoing construction of the fabrication and logistic facilities of the new

yard located in Karimun (Indonesia), covering the fast developing area of the Far East. A significant effort is also dedicated to renewing upgrading and maintaining Saipem's yards in strategic areas such as:

- Nigeria (Rumuolumeni);
- Azerbaijan (Baku);
- Angola (Ambriz and Soyo);
- Republic of the Congo (Pointe Noire);
- Kazakhstan (Kuryk);
- Saudi Arabia (Dammam).

■ Research and Development

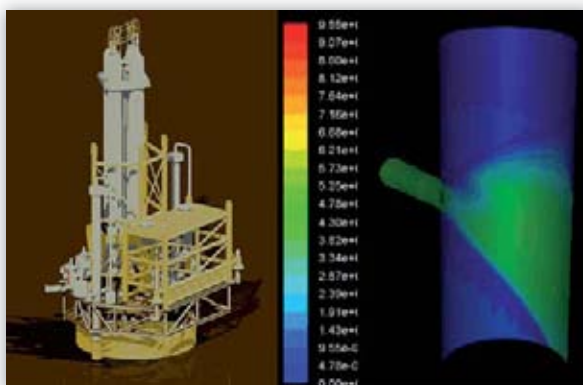
Besides developing major new advanced assets and systems, Saipem develops cutting-edge components and methodologies for critical operations in difficult areas, such as welding and guidance systems.

These will enable the new ships to operate more efficiently in ever more severe environments such as Arctic seas or very deep waters.

Subsea processing activities are focusing on the research and development of innovative and efficient separation systems, such as the Multipipe system which is currently in its design phase, with testing expected in 2009.

The main advantage of this pipe-shaped separator is its adaptability for applications in deep or ultra-deep waters. Process technology development focuses on creating new proprietary systems as well as optimising third party technologies used in Saipem's mega-projects:

- The competitiveness of the proprietary Snamprogetti Urea Synthesis Technology, for which 115 licenses have been sold world-wide, has been greatly enhanced by its use in two of the world's largest single train units. These two multibillion plants are under design today for clients in Pakistan and in Qatar. Furthermore, the joint development with ATI WahChang of Omegabond, a new highly resistant alloy, shortly to go into full scale commercial demonstration, will solve several of the metallurgical problems that have affected old plants.
- The optimisation of LNG technology by Saipem's process specialists during last year's bidding phase for the Air Products and Chemicals C3MR process and the experience of fabricating a heat exchanger for Sonatrach's Arzew LNG GL3Z plant in Algeria, has delivered an increase of almost 20% in production, with respect to earlier designs.



Multipipe Separation System.

RENEWABLE ENERGY SOURCES

As pressure grows to minimise not renewable energy consumption and greenhouse gas emissions, the energy industry is increasingly turning to renewable and alternative forms of power, fuel and processing. As the following examples show, Saipem is involved in developing a range of plant design and execution services for the optimal application of renewable technologies.

OFFSHORE WIND ENERGY

ODE, a Saipem affiliated company, is very active in wind power, particularly in the UK. Saipem is studying new methods of installing offshore wind turbines, which could help to overcome the limitations encountered with existing technology, and reduce the cost of wind farms.

Saipem is also involved in developing the prototype of a floating wind turbine which will be used in very deep water where conventional wind turbines cannot be anchored to the seafloor.



Prototype for offshore wind turbines



Prototype for tidal current energy device

MARINE ENERGY

Tidal currents represent a potentially powerful resource along the ocean coastline. In France, Saipem designed the country's first submarine turbine to harness power from tidal currents. The commercial development of this technology is now under way.

Saipem is also investigating wave energy in collaboration with partners. This should lead to the design of a new type of offshore wave energy converter system in the near future.

Saipem is also considering Ocean Thermal Energy Conversion (OTEC) which utilises the temperature difference between the surface and the deep waters in tropical seas to drive thermodynamic machines and produce electricity, as well as fresh water. This process necessitates the installation of large vertical offshore pipes to pump the water.

GEOHERMAL ENERGY

Saipem provides a full geothermal energy service including drilling and well equipment, geological and geochemical site assistance, technical modelling and economic evaluation.

WASTE TO ENERGY

Waste to Energy is the thermal treatment of waste or biomass to produce energy in the form of syngas, electric power and steam. Saipem's technology portfolio includes processes of incineration, gasification, plasma arc gasification and plasma gasification.

ENERGY FROM BIOMASS

ECOFINING™ is an innovative process that converts vegetable oils and waste to green diesel fuels. The process has been jointly developed by UOP and Eni. Saipem developed the front end engineering, based on conventional hydro-processing technology and designed to create a high quality product that is compatible with existing fuel infrastructure.

Sustainability as a core company value

Saipem's new Sustainability Policy: one Group, shared values

In line with the principles stated in the new Code of Ethics, in November 2008 Saipem's Deputy Chairman and CEO approved the new Corporate Sustainability Policy that replaces the previous policy, drawn up in 2003.

In the past five years, there have been many developments in the field of sustainability and in the world energy market, particularly in the oil and gas business. Saipem itself has also undergone a number of important operational and organisational transformations. The new policy reflects all of these changes and the lessons learned on in the past few years.

The Sustainability Policy brings together the Group's common framework of values and provides the foundation of the Saipem Sustainability culture. It is a practical guide for the way that the Group and its employees conduct business.

The Policy expresses the Group's vision on sustainability and incorporates this concept into the company's day-to-day operations as well as its long-term planning.

The policy approach is comprehensive, covering areas

such as risk management principles and the commitment to implement effective stakeholder engagement, for which it provides practical guidelines on putting the company's obligation into practice.

Making the sustainability principles set out in this policy part of everyday business requires everyone's participation, from the Board to the most remote frontier. This is the main challenge and the main target of Saipem's sustainability program for the future. This policy guides the company's strategic plans and objectives and is implemented through the activities described in this Report.

Read the new policy at

<http://www.saipem.it/> under 'QHSE & Sustainability'.

Sustainability Organisation

Saipem has recently reorganised its sustainability-related activities in two ways.

On one hand, the Sustainability Committee that, since 2007, provides strategic guidance on aligning business strategy with a sustainable approach. The Committee is made up of all Corporate Vice Presidents (representing

SAIPEM SUSTAINABILITY CLAUSE

Further to the publication of the Policy, Saipem Legal Service has introduced a Sustainability Clause into the company contract/negotiation agreements as follows.

The 'counterparty' declares to have received and have knowledge of the contents of the 'Saipem Corporate Sustainability Policy' whereby Saipem is committed to act as a sustainable company and to contribute to long-term growth and value creation through the effective involvement of all legitimate stakeholders.

Each Party declares that its activities under this Agreement shall in no case imply unacceptable risks to people or the environment and undertakes to manage and mitigate these risks in its every day operational activities.

If local requirements and standards do not exist or are inadequate to manage the above risks, the Parties agree to operate in accordance with relevant internationally accepted best practices.



SAIPEM SUSTAINABLE CORE
VALUES: MULTICULTURALITY,
DIVERSITY, LOCAL CONTENT

Human Resources, QHSE, Procurement, Assets, Corporate Affairs and Administration Finance and Control, Legal Affairs, Risk & Opportunities Knowledge Management) and by the Chief Operating Officer and the Chief Executive Officer of Saipem sa, thus representing the entire top management.

On the other hand, a Sustainability Team has been established at Corporate level, reporting to the QHSE Vice President, directly supporting the Committee and

coordinating the sustainability activities of all relevant functions and operating units around the world. The Team focuses on reporting, planning, assessing social impacts, facilitating and promoting stakeholders engagement, identifying opportunities and providing advice on global scenarios and trends. The Team can count on the support of cross functional working groups and local facilitators to provide quantitative data (KPIs) and qualitative information for the Saipem Sustainability Report.

Round-table with Sustainability Committee

COMMITTEE'S POINT OF VIEW ON SUSTAINABILITY IN TODAY'S BUSINESS



- *'Operational effectiveness means being close to our business, particularly in remote and frontier areas. In this respect we also need to decentralise our supporting functions more and more to operate locally. In this respect it's fundamental to find and develop skilled local resources to cover managerial positions.'*

(Giulio Bozzini, Chief Financial Officer)



- *'The nature of our business requires an ability to operate effectively where the business is generated through interacting with local people. Being able to create sustainable relationships with our stakeholders, for example with our suppliers, is a fundamental aspect of our business.'*

(Paolo Daleffe, Procurement Vice President)



- *'Saipem has always had a special focus on sustainability, even when this word was not fully accepted in the international agenda. People are a core value in Saipem. The respect for the individual, for his or her culture and local entities has always generated value to Saipem's business. The work we are doing now on sustainability aims at refining, formalising, and finally making even more concrete these intrinsic characteristics of Saipem.'*

(Sabatino De Sanctis, QHSE Vice President)



- *'Local Content development remains a key aspect of our business, especially when operating in frontier areas. Saipem must constantly operate with the awareness that we may change people lives. In this respect our culture, with its Italian roots, has always been based on the ability to operate together with the local people respecting their culture, creating a social network to develop local infrastructures, and generally contributing to social development.'*

(Pietro Galizzi, General Counsel)



- *'The way the market is evolving is moving our activities more and more to frontier areas and is increasing the complexity of our projects. This strengthens the importance of protecting the health and ensuring the safety and security of our employees.'*

(Hugh O'Donnell, Chief Operating Officer)

FUTURE SUSTAINABILITY CHALLENGES IN COMMITTEE'S VIEW



- *'Our future main challenge will be to keep on improving the quality of the local content we are able to develop and the level of interaction with communities. We have been pioneers in local content development but now we need to ensure that we will foster local suppliers and increase the presence of local employees in managerial positions.'*

(Hugh O'Donnell, Chief Operating Officer)



- *'The real challenge is being able to see sustainability as a strategic lever for business decisions and not as a short-term set of actions to control stakeholders. We should be able to assess opportunities and risks with a global approach that enables us to avoid decisions which sound appealing from a pure short-term focus but in the long run would damage our reputation or affect the relationship with stakeholder.'*

(Aldo Gebbia, Risk and Opportunity Knowledge Management Vice President)



- *'The key challenge remains the management of diversity, as an opportunity to enrich the company's culture and values, together with the development of employees worldwide. I also see another challenge for Saipem: to keep on sharing the huge experience and know-how we have built with all the sustainability initiatives we are performing around the world, which sometimes are not well known and communicated across the company. For Saipem this means sticking to its cultural roots based on a strong local presence.'*

(Rosario Giannini, Human Resources Vice President)



- *'The market will require shifting the focus on business performance more and more towards aspects such as technology innovation for environmental management and better working conditions. In this respect the main challenge, especially on board vessels, is to develop ways to improve energy efficiency and reduce our impact on the environment and communities.'*

(Marco Toninelli, Asset Vice President)

HOW THE COMMITTEE SEES ITSELF



- *'The Sustainability Committee is important to communicate Saipem's commitment and ensure the right alignment between sustainability and business. This is the only way to make sustainability part of everyday business.'*

(Giulio Bozzini, Chief Financial Officer)



- *'Saipem is based on a decentralised model where local units have strong independence. This makes it important to have consistent group values and culture. In this respect the Sustainability Committee has an important role, which is to show Saipem's commitment towards Sustainability to all units and employees ensuring that everyone operates according to common values and guidelines, making sustainability part of everyday's business.'*

(Aldo Gebbia, Risk and Opportunity Knowledge Management Vice President)



- *'The Committee is fundamental to ensure the right level of sponsorship, address the right messages, reward the right attitude and behaviours and, most of all, ensure coherence between business strategy and sustainability strategy.'*

(Marco Toninelli, Asset Vice President)

MANAGERIAL AND CULTURAL TOOLS TO TACKLE SUSTAINABILITY CHALLENGES



- *'We must keep on developing and spreading tools such as 'Leadership in Safety' program whose next steps are to internalise the safety vision and extend cultural change to the entire Saipem workforce. In doing this, the management must disclose its expectations, give first-person examples, with no compromises.'*

(Sabatino De Sanctis, QHSE Vice President)



- *'Saipem is a sustainable company but we need to improve our communication and knowledge management tools to ensure that what we do around the world becomes part of everybody's experience, reminding everyone of our roots in a strong local presence.'*

(Rosario Giannini, Human Resources Vice President)



- *'When we launched our 'Leadership in Safety' program we made an important breakthrough. We need a similar tool for Sustainability to create a substantial step forward to create and maintain internal awareness and strengthen the relationship with external stakeholders.'*

(Jacquest Léost, CEO Saipem sa)

OPPORTUNITIES AND THREATS IN IMPLEMENTING SUSTAINABILITY



- *'Being sustainable is a real opportunity to ensure our growth and that one of our stakeholders, ensure our presence where the business is. The main threat is the lack of a long-term strategic approach towards all stakeholders, such as contractors and suppliers, ensuring that they operate according to our standards and culture.'*

(Paolo Daleffe, Procurement Vice President)



- *'Being truly sustainable is indeed an opportunity to create new business and to be able to operate in a sector where this has become a relevant topic in the last few years. Without a real commitment and a true engagement, a pro-forma approach to sustainability would become a dangerous boomerang. Therefore we need to work on commitment and consistency to ensure that every day we work according to what we believe to be sustainability.'*

(Pietro Galizzi, General Counsel)



- *'I see our approach to Sustainability as an opportunity for Saipem to distinguish ourselves from our competitors, not only in 'what we are able to do' but also considering 'the way we do it'. Nowadays, it is not anymore an option but something we need to do. The big threat would be not to do anything.'*

(Jacquest Léost, CEO Saipem sa)

Governance Model

The process of ensuring greater reliability of financial information in Saipem and its subsidiaries, which started in 2006 with compliance with the US Sarbanes-Oxley Act legislation (SOA), has continued through 2008.

In 2008, Saipem completed the remapping of processes to update controls, in line with the SOA project after the merger between Saipem SpA and Snamprogetti SpA. The effectiveness of the controls has been assessed every six months through a report which provides the CEO and CFO with insights related to gaps in attaining to SOA purposes. External auditors verify the effectiveness of the controls.

The adaptation to the Italian Law 262, begun in 2007, was continued in 2008. This has led to an Internal Model of Control Systems over Financial Reporting which sets out the roles and responsibilities involved in achieving a strong control environment.

This model has also led to the setting up of internal procedures aimed at avoiding risks of fraud or errors in financial reporting in all Saipem companies.

In all 15 involved companies, an individual responsible for Italian Law 262 compliance has been identified. His or her main responsibilities are monitoring the effectiveness of controls and updating procedures to adapt them to organisational changes. Every six months the local Financial Manager formally evaluates the status of the implementation of procedures by means of an audit. Summaries of these evaluations are collected and monitored at Corporate level and reported to CEO and CFO.

Training activities were performed through the year, involving 68 people.

The project has strengthened the link between Corporate offices and local subsidiaries, rationalising and formalising processes with the result that for every

company involved in the project, in addition to external auditor activities, there is an internal control system which can highlight material errors or omissions in financial reporting.

■ New Code of Ethics

Saipem, as international industrial group operating in complex situations, often in remote and frontier areas, is aware of its significant role in the marketplace and among its stakeholders. This understanding strengthens the importance of clearly defining the values that Saipem accepts, acknowledges and shares as well as the responsibilities it assumes, contributing to a better future for everybody.

In July 2008, Saipem therefore defined and issued a new Organisation, Management and Control Model (the 'Model'), which includes the new Code of Ethics (the 'Code'), also satisfying the requirements implied by the Italian Legislative Decree No. 231 of 2001.

The new Code includes general principles for sustainability and corporate responsibility, defines guidelines for interaction with stakeholders, and identifies the tools and the internal organisational structure by which the Code is implemented.

Saipem endeavours to protect and promote human rights as the inalienable and fundamental prerogatives of human beings and the basis for the establishment of societies founded on principles of equality and solidarity. In this respect Saipem operates within the framework of the United Nations Universal Declaration of Human Rights, the Fundamental Conventions of ILO – International Labour Organization – and the OECD Guidelines on Multinational Enterprises.

Compliance with the Code of Ethics and with the values of honesty, fairness, cooperation, loyalty and mutual respect is fundamental to the quality of work

and the professional performance of all of Saipem's people. Compliance with the Code is supervised by the Compliance Committee of each company in the Saipem Group. These committees also act as guarantors of the Code of Ethics.

The correct interpretation and knowledge of the contents stated in the Code of Ethics is diffused to all Saipem employees, by an ad-hoc internal task force, the 'Code Promotion Team'.

Saipem is open to – and will favourably take into consideration – any suggestions and remarks from Stakeholders for improvement of the Code of Ethics.

■ Internal Audit Function and Committee

Saipem's Internal Audit Function defines an annual top-down – risk-based, integrated audit plan. The plan focuses mainly on the issues with the highest potential risk or importance in relation to objectives set out in the Saipem strategic plan. The integrated audit plan

is assessed by the Audit Committee and the Board of Statutory Auditors, as well as requiring approval by the Board of Directors and the Compliance Committee – in respect of the Model issues.

The integrated audit interventions are designed to assess the adequacy and effectiveness of the internal control system, with special reference to compliance with internal and external regulations (with a specific focus on the Model related issues) and to the effectiveness and efficiency of operations. In 2008, 23 integrated audit were performed of which 20 already issued. The outcomes of the audit activities are periodically communicated to the Control Bodies and to the company directors, together with the results of the corrective actions and monitoring activities defined after the interventions.

The audit activities are also supported by the Audit Committee. This body is composed of independent members and entrusted with advisory and consulting tasks for the Board of Directors for issues related to

WHISTLEBLOWING

The Board of Statutory Auditors has set up, according to the 2002 Sarbanes-Oxley Act, a procedure that provides for the receipt, analysis and investigation of reports that are anonymously forwarded by employees, members of the company bodies or third parties, concerning problems with the company's internal control system, corporate disclosure or administrative responsibility.

Top management and other control bodies are informed of the outcome of investigations and the anonymity of whistleblowers is guaranteed.

On the basis of the investigations concluded in 2008, 9 cases were closed in the year, compared with 17 in 2007. Five of these reports concerned the internal control system, compared to six in 2007, while three reports regarded other subjects, compared with eleven in 2007.

All the eight reports were found to be groundless. By comparison, in 2007, 11 reports were found to be groundless and six were found to be at least partially grounded, with the consequent adoption of disciplinary actions or measures for a better working environment.

the internal control system, also defining the system's guidelines. The main risks related to the company and its subsidiaries are therefore correctly identified and properly measured, managed and monitored. The Committee analyses the integrated audit plan and the outcomes of the audit reports produced by the Internal Audit function. Saipem's Financial Annual Report contains complete information on the Internal Control System, the main issues examined by the Committee during 2008 and the description of the activities of the Internal Audit function.

Stakeholders engagement approach

As stated in its Sustainability Policy, Saipem engages with all legitimate stakeholders, besides its own people, the financial community, clients, authorities, suppliers, local communities, civil society associations and others. This principle is put into practice both at the Corporate strategic level and at operational sites. Saipem Corporate Sustainability Team focuses on two main strands of activity:

- Support for investor relations, and communications teams, Business Units and commercial officers as they engage with stakeholders who want to be informed about Saipem's approach to Sustainability, including its policies, management systems and practices. This is designed to satisfy the increasing interest in the specific features of the engineering and contracting business – which is sometimes confused with the broader oil & gas sector.
- Direct interaction with specific stakeholders on cross-functional or cross-company issues in the field of social commitment. Typically this includes contacts with Sustainability rating agencies, international financial institutions, UN agencies and international and national NGOs or other forms of associations representing civil society requests. However Saipem's

role as a contractor is usually limited in these cases as its clients tend to deal directly with the major global stakeholders.

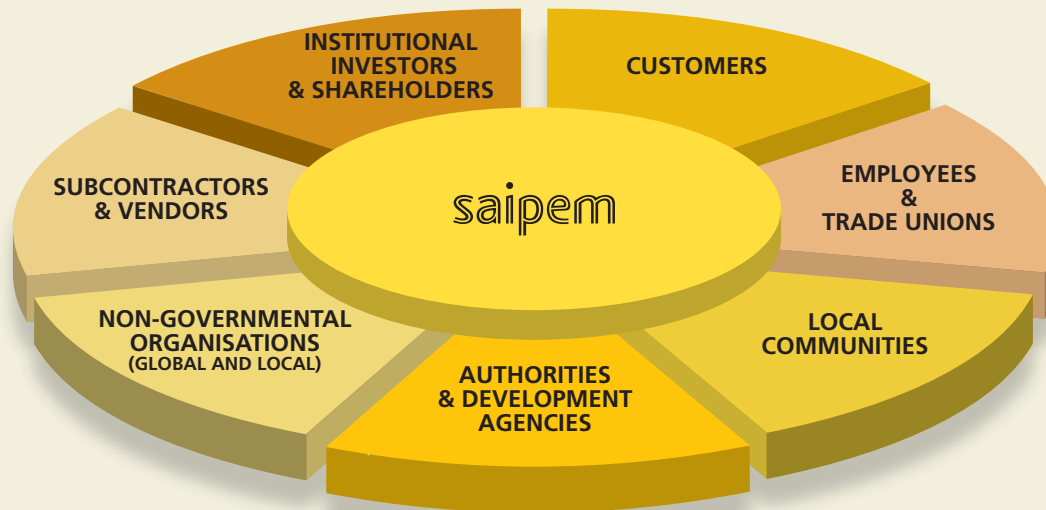
A stakeholder consultation survey was conducted in 2008 through a specialised research institute, GFK Eurisko. This assessed stakeholders' perceptions of sustainability in Saipem and their views on sustainability reporting (see box 'Listening to our stakeholders').

To respond to the suggestions emerging from the survey, the Sustainability Report has been structured using more graphs and charts to provide more clarity. The 'Saipem in the world' section gives an even more focused view on areas where Saipem has a long-established presence. In the future, country-specific case studies will be published, or updated for those existing. Finally the Sustainability Report will be published on the Saipem website.

At local level, the operating companies have many different engagement and social commitment plans, many of which are now built into their routine activities. The number of stakeholders interested in Saipem's activities is growing rapidly, particularly in the countries where Saipem has a well-established presence. The Sustainability Team supports operating units whenever a major issue is put on the agenda. This is done through a top-down and bottom-up approach, as Saipem considers the real experience on the ground (especially in countries with major challenges) as one of the most important company 'assets'.

Saipem is now analysing its stakeholder engagement experiences in order to reframe its approach and introduce a comprehensive worldwide corporate methodology. By sharing lessons learned on the ground, this new methodology will enable decision-makers and project managers to behave to the highest standards.

STAKEHOLDERS MAP AND MESSAGES

**INSTITUTIONAL INVESTORS & SHAREHOLDERS**

Saipem has become and will continue to be a leading global contractor in the oil and gas services industry. Saipem has a strong backlog that help it through the current turmoil and is confident that the market will return to robust growth. It's a solid and reliable company, able to:

- Guarantee solid and profitable performance
- Perform complex projects in frontier areas, managing impacts as part of its strategy
- Manage risks effectively
- Develop innovative solutions
- Leverage its strategic assets
- Operate effectively: Saipem's organisation model is based on centralised rules and guidelines and decentralised implementation; Saipem has a modern and transparent corporate governance system to ensure full compliance with national, international and stock exchange regulations and respect for stakeholders' legitimate interests and business ethics.

CUSTOMERS

Saipem is a leading oil and gas contractor with an established local presence and a decentralised organisation. It is able to perform complex turn-key solutions (EPIC) globally. It can develop local content, fulfil high quality and HSE requirements, effectively manage risks and ensure customer satisfaction through following best practice and standards relating to sustainability.

Saipem designs, constructs and operates strategic assets aimed at anticipating customer needs and market trends.

EMPLOYEES & TRADE UNIONS

Saipem is a multicultural company with a uniquely decentralised organisation. Saipem offers career opportunities and focuses on the development of talent. Saipem proactively involves trade unions in its work, promoting international labour agreements, in order to reduce confrontation in a transparent and open manner. Saipem invests in its employees development and their health, safety and security.

LOCAL COMMUNITIES

Saipem is a solid and growing company. It has a long tradition of supporting local development through local content and training using its established presence and decentralised organisation. This has encouraged the development of employment and know-how for communities as well as access to local resources.

Saipem has created strong relationships with local vendors and helped their development.

AUTHORITIES & DEVELOPMENT AGENCIES

Saipem is a solid and growing company with a proven track record and commitment to contributing, in its sphere of influence, to the sustainable development of economies in the countries where it operates. It aims to work in harmony and cooperation with local communities, respecting the environment and investing in local people and assets.

NON-GOVERNMENTAL ORGANISATIONS (GLOBAL AND LOCAL)

Saipem, mainly through its customers, cooperates with NGOs with proven track record.

Saipem invests in local content and in the safety, health and security of its employees.

Saipem is a public listed company with a transparent and effective governance and internal control system designed to prevent corruption and unfair behaviour.

SUBCONTRACTORS & VENDORS

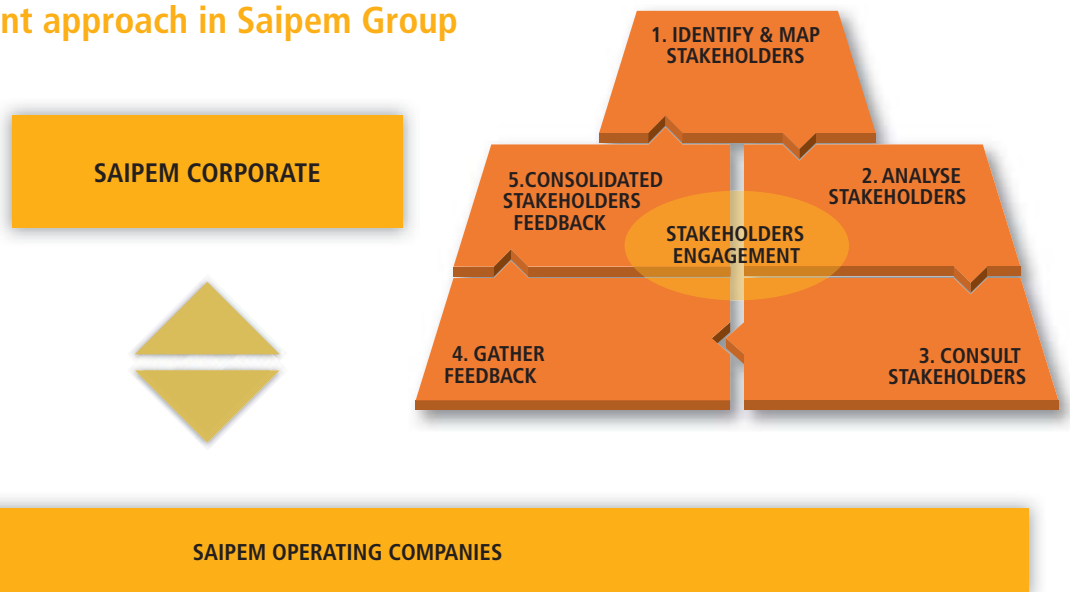
Saipem is a solid and growing company with an established network of subcontractors and vendors. It is reliable, transparent and fair in its selection processes.

Saipem adopts a strategic sourcing approach, creating dedicated local procurement units and reinforcing its relationship through framework agreements. This has contributed to Saipem having comprehensive vendor lists, with particular emphasis on local vendors. Saipem also intends to contribute to sustainability through enhancing and implementing sustainable development policies in its supply chain.

Stakeholders engagement approach in Saipem Group

Interaction with specific stakeholders for cross company issues in the field of social commitment:

- sustainability rating agencies
- international financial institutions
- UN agencies
- international and national NGOs



Interaction with specific stakeholders linked to the local contexts, supported by Saipem Corporate Sustainability: local communities, local authorities, local suppliers, employees.

LISTENING TO OUR STAKEHOLDERS

Between June and August 2008 GfK Eurisko carried out a major stakeholder survey for Saipem. Through individual interviews and focus groups it heard the views of a varied sample of Saipem stakeholders – including employees, clients, authorities and representatives of people living in the regions where company operates. The survey was carried out in Italy, Kazakhstan, Nigeria and Peru and covered views on the company's reputation and its Sustainability Report. In the following paragraphs Eurisko summarised the major findings of the survey. 'In the opinion of all respondents, Saipem's reputation is largely

positive. Saipem is respected as a company because of a number of factors, including being:

- ethical and transparent;
- compliant with international standards;
- people-oriented;
- and environment conscious.

The only criticism that was shared by many of the sample concerned communication, both internal and external. This was considered insufficient and sometimes not prompt enough. Saipem should inform stakeholders more about corporate ethics and its sustainability-related projects and actions. Sustainability is perceived as an intrinsic part of Saipem's way

of doing business: for Saipem, sustainability represents a 'business model'. It is a distinctive trait in which its employees should take pride. In the stakeholders' opinions, the company:

- is very careful to comply with international policies;
- has strict forms of self-regulation;
- takes the appropriate actions when problems occur.

Stakeholders' said that Saipem should aim to demonstrate even greater commitment and innovation in sustainability so as to become one of the world leaders in this field. Opinions about Saipem's modus operandi in the communities are positive. The company:



ERSAI YURTA AT THE KAZAKH NEW YEAR EVE CELEBRATION

- shows concern and respect for local cultures;
- tries to become fully integrated in each geographical area;
- acts for the joint development of the region and the business.

Sakeholders hope Saipem will aim for closer co-operation with local communities to deal with social problems, such as fighting corruption, providing job training and funding cultural initiatives to contribute to local prosperity. Saipem is also regarded as a 'good place to work':

- the safety standards are high;
- the corporate climate is positive, being informal, collaborative and stimulating;

- the opportunities for professional training and development are excellent.

Opinions are generally positive about the Sustainability Report. The document is perceived as sound, credible and with relevant contents. It is a useful way of communicating information on the company's activities in different countries and presents the impression of a transparent organisation with social and environmental awareness and ambitious goals in the area of sustainability. Recommended improvements in the Report are:

- more information on individual countries and local operations;
- more reader-friendly language;

- a dissemination of the Report in other forms (i.e. audiovisual).'



GfK Eurisko is the leading research company operating in Italy. The Institute is part of the GfK Group, the third largest market research organisation in the world. GfK Group has a staff complement of more than 10,000 employees providing its clients with high quality services in over 100 countries.



Saipem Sustainability Talent into practice: Focus on Fano

> THE HISTORY OF THE CENTRE

The centre in Fano (Italy) was built in the early Seventies by Snamprogetti, under the auspices of Eni, as an engineering hub for the realisation of pipeline systems for natural gas, under development by Snam in Italy, following contracts to import natural gas signed by Eni with Gazprom in Russia, Sonatrach in Algeria and Gasunie in Netherlands.

The centre started to recruit local professionals as well as those from other regions in Italy and, in less than 10 years, it became an important organisation which was well integrated into the community. Today, the centre represents the second biggest organisation in term of employees in the Province, occupying 1,100 people.

> ACTIVITIES AND EXCELLENCE

The centre participated in pioneering projects to develop innovative technologies for the positioning of a pipeline through the Alps and for the realisation of a pipeline stream through the Sicilian Channel and the 'Stretto di Messina' at 650 metres of depth under the sea, representing a record in its period of the early 1980s. This activity gave a high visibility to the Fano Hub, which became an international focus of excellence for pipeline plans in extreme and challenging areas. From that moment, Snamprogetti Fano, now Saipem, started working at international level for the most important Oil Companies.

In the Nineties, new activities were introduced for the upstream, such as small and medium plants mainly in the Middle East along with environmental engineering to support the core business of pipeline.

With the acquisition of Snamprogetti by Saipem, new activities were added, focusing on the installation of infrastructure for hydrocarbon production and transport in deep water.

> SAIPEM SITE

The site now has around 1,100 people working in two different buildings.

In 2008 a new building was completed, following the best practices available for the construction of buildings, in particular:

- High levels of thermal insulation for walls and windows.
- Two separate water systems, one from waterworks for drinking water only and another from a well used for toilets, fire apparatus and irrigation.
- Installation of an high efficiency absorption heat pump, which can guarantee a reduction of up to 30% of methane consumption compared to a traditional boiler for the winter period. This is estimated to produce a reduction of around 20-25,000 m³ in methane every year.

In addition, a new photovoltaic system, under development, will generate annual production of electricity of 300,000 kWh for the entire site, with avoided emissions of 159,300 kg CO₂eq.

The community

The site is based in an area in the Marche Region of Italy, which has a high quality of life. This is considered to be a success factor, as has been demonstrated by some majors which have installed their centres of excellence in protected, quiet areas.

The presence of Saipem's centre has stimulated the development of engineering centres and the settlement of local branches of international engineering companies in the area, creating an area of excellence for pipeline engineering. Nowadays there are more than 30 engineering companies in the area.

In addition, the international perspective of the Fano Hub activities has resulted in continuous collaboration with clients who frequently spend long periods in Fano. The town, which is a tourist resort during the summer period largely frequented by visitors from the North of Europe, has now started to be English-speaking, even in winter! Tourist enterprises and hotels now benefit from the high number of business tourists who arrive in the winter period.

As a result of Saipem's historical presence in the area, the company is well known and relationships with inhabitants and local institutions have been always very positive and constructive.

Cooperation with local schools

During the last two years, Saipem has established a collaboration with the technical school 'V. Volterra' in Ancona, Italy. The drivers for this partnership, designed to encourage young people to enter the oil and gas sector, include the strategic location and the broad set of subjects offered by the school.

Thanks to the possibility of the Italian schools to customise parts of their programs, Saipem has put forward ways of including specific oil and gas topics, improving the alignment between education and job opportunities.

This initiative has involved Saipem's engineering departments in the area of Piping, Machineries, Electrical and Telecommunication Systems working with their counterparts in the school departments to develop and evaluate the most appropriate integration of these disciplines with school programs. Class activities have then been supplemented by the opportunity for 10 students to attend a 3 week program in Saipem's offices.

CREATING LOCAL VALUE - INTERVIEW WITH HEXAGON CONSORTIUM

The Hexagon Consortium, based in Fano, groups 6 small engineering companies that decided to work together to provide a comprehensive service to Saipem. Here is what its members said:

The collaboration with Saipem increased your know-how? How important has working with or for Saipem been for you, from a business and technological point of view?

R. Monzini (President of Hexagon Consortium) The Hexagon Consortium was born explicitly for Saipem, to respond to a Saipem Fano request for a single organisation to provide a series of services and expertise covering different areas of engineering in a multi-disciplinary approach. This gave the opportunity to some small enterprises mainly based in the Fano area and in Milan to work together sharing experience and know-how, but also learning from each other about project management and the attitude of working in a team. The interaction and close collaboration with Saipem helped to improve our know-how from a technical point of view, in the implementation of quality rules and project management models, but also in a more general perspective to improve our cultural approach to business. The Consortium has been an important opportunity for all partners from a business perspective but also an opportunity to generate new employment in the Fano area. New young engineers were employed and trained to take part to this international project, with opportunities to spend periods abroad in Saipem sites.

Besides, Hexagon uses subcontractors, generating further development and diffusion of know-how among companies in the Fano area.

How do you see Saipem's sustainability, particularly considering its interaction with the local content in the Fano area?

A. Sebastianelli (President of Engineering and Services Group in Confindustria Pesaro Urbino; Member of Hexagon Consortium)

The historical presence of Saipem in the province, first as Eni Group in both San Lorenzo in Campo and Fano, has an important value in our area, generating direct employment and the development of an economic multiplier effect, with the creation of several professional and engineering companies that are now recognised at world level and work internationally.

Generally, the presence of an international company such as Saipem helped the entire industry in the area, which is mainly composed of small and medium enterprises, providing, also through the Confindustria system, a more wide and international perspective of business.

The feedbacks from all participants have been very positive, and this first pilot has created the basis for future more intensive collaboration.

Saipem is accredited as a Training Institution by Regione Marche.

Cultural initiatives

A social Association has existed among employees since 1971 with the aim of:

- Promoting and organising sports and other opportunities for aggregation.
- Promoting and organising cultural events.

The Association is supported by employees' membership fees and a Saipem contribution.

In 2008, in addition to several sports events, the following activities were organised:

- An annual Art exhibition with works such as paintings, photography and sculpture by 60 artists (mainly Saipem employees) in S. Arcangelo Church, visited by more than 1,000 people.
- Charity activities to support ANT Progetto Eubosia, to assist cancer patients at home.
- Organisation of a charitable sports event, to support a mission in Mozambique.

Historical Archive

The site hosts an important Archive which has been recognised as having high historical value by the Soprintendenza Archivistica of Marche Region.

Firstly Rimin, then Aquater, Snamprogetti and Saipem collected and stored important technical documentation about mining activity in Italy, mainly derived from the old Montedison technical archives. Nowadays the archive includes thousands of documents dating back to 1900. Besides its importance from an historical point of view, most of the documents still have a value from a technical perspective. Information can be found about prospecting data on several minerals that are still used or can be used in future. Also, some documents have been used to identify background concentrations in land reclamation areas.

Some documents have been recognised as not freely accessible by the Ministerial Decree of 1996, due to the sensitivity of some data and information, but most of the documents can be consulted on demand.

Representatives from Universities, local and national institutions have already benefited from the Archive, accessing data, maps and technical reports.



Saipem Pillars of Sustainability

SUSTAINABILITY 08

“Continual
improvement
to create value
for stakeholders”

37,990 employees from 115 countries, 85%
employed locally.

74.9% of Saipem employees participated in training
activities.

64% of training hours are addressed to QHSE issues.

€15.4 million spent on health, with an increase of
18% compared to 2007.

The Lost Time Injury Frequency Rate is 0.50 in 2008,
compared to 0.71 in 2007.

Over 180 workshops organised for the Leadership in
Safety, with more than 3,000 participants.

21,081 qualified vendors, of which 7,626 have
more than 5 years relationship duration with Saipem.

Chemical spills reduced of 44% and oil spills of
3.5% compared to 2007.



saipem





UNIDOS - OIL PAINTING
FROM SOCIAL PROGRAM
PERU

AUTHOR: EDWIN PAREDES
CISNEROS

*This work tells us that we
must work united to reach
our goals. Transport a tube
in the middle of the jungle:
one man alone could not
be able to do it, but two
men together get the
target.*



Results & Targets

ENVIRONMENT

Commitment

2008 Actions and Objectives

Reduce environmental impacts of Saipem vessels

Improve emission monitoring (Castoro Sei pilot)
 Develop and issue where applicable Garbage management Plans as per MARPOL 73/78
 Ensure training programs in line with SOPEP (Ship Board Oil Pollution Emergency Plans)
 Assess MARPOL compliance through the auditing process

Environmental management system certification

Develop, align or maintain environmental management systems in line with the Corporate requirements and ISO 14001 standards
 Pursue accreditation from third party where systems are mature

Monitoring of the Environmental Aspects

Ensure a comprehensive analysis of the environmental hazards, their impacts and the related mitigation measures relevant to the organisation
 Define the applicable KPI relevant to the organisation. Ensure the implementation of continuous Environmental monitoring activities both on physical and numerical indicators

HSE Audits

Environmental Training

BUSINESS

Commitment

2008 Actions and Objectives

Quality Management system certification

Increase number of Operating Companies with ISO 9001:2000 Certification - Four new certification

Increase Risk Management coverage

Increase coverage

Investments

Increase investment for new yards
 Investment to build a new deepwater field development ship

PEOPLE

Commitment

2008 Actions and Objectives

Improve monitoring of Human resource

Mapping of benefits, focusing on monitoring and comparing situation across the companies
 Extend sustainability KPI

Training

Increase the training programs both at corporate and operating company levels

Code of Ethics (former Code of Conduct)

Increase the spreading of the Code of Conduct among all stakeholders
 Revision of the Code of Conduct

Improve scouting of Young Talents

Extend and improve program with more Italian universities

Quality Awareness

2008 Results	Progress	2009 Actions and Objectives Proposed
Fully implementation of the new GHG emission monitoring software (Castoro Sei prototype), proposed by Eni Three atmospheric emission monitoring have been carried out on board of Castoro Sei, Scarabeo 6 and Beta Tank II, in order to validate our Emission Factors		Verification and updating of all the vessel's procedures, in order to comply to the new MARPOL requirements
Three new Operating Companies have been certified: Intermare Sarda (Italy); Saipem Contracting Nigeria Ltd (Nigeria) and ERSAL Iic (Kazakhstan)		Increase the number of certified Operating Companies, and maintain environmental management systems in line with the ISO 14001 standards for all the sites that already have the certifications
For all the certified Operating Companies, have been completed the identification of environmental aspects and a specific report was issued. Additionally, it has been identified all the environmental aspects for the new projects: Karimun Yard, FPSO Aquila, FRSU Livorno		Increase the number of environmental monitoring on sites, both on executive projects and on vessels/yards
		Improvement and enforcement of the environmental component during HSE audits
		Definition of a new training plan, refers to all the different business lines. Implementing of a general environmental awareness for all the new area personnel. Improving the environmental knowledge across the Saipem Group

2008 Results	Progress	2009 Actions and Objectives Proposed
Petromar Lda (Angola) and Saipem Energy Services SpA (Italy) obtained ISO 9001:2000 certificate and other Operating Companies are still working to improve their own Quality Management System in order to obtain the certificate.		Increase the effort for the development of Operating Companies Quality Management System in order to improve the existing ones in the already certificated companies and increase the number of Operating Companies with ISO 9001:2000 Certification
Achievement 100% coverage on project risk and opportunity knowledge management methodology		Maintain coverage; promote improvement depth of analysis
Awarded main contract for the new deepwater field development ship Started rehabilitation/revamping of key yards (Saudi Arabia, Kazakhstan, Angola, Nigeria) and on-going development of the new yard in Far East (Karimun - Indonesia)		Optimise asset management improving efficiency, ensuring safety and security of employees

2008 Results	Progress	2009 Actions and Objectives Proposed
In consideration of the merging process between Saipem SpA and Snamprogetti SpA and the new GHRS release close to come, the program aimed to improve the automatic collection of workforce data has been delayed. However, out of the system, the mapping of main information has been increased (e.g. job & training data). Mapping of benefits has not been completed. KPIs have been extended (e.g. Industrial Relations, Training Expenditure)		Completion of mapping & automatic data collection program. Extension of Security KPI and improvement on Development ones
1,086,994 hours of training in 2008. During 2008 new training initiatives aiming to cover gap identified after competencies assessments have been implemented		Improve automatic and certified data collection (extension in using GHRS Training Module) Definition of dedicated professional training path for different business lines
A new Code of Ethics has been approved by the Board and published; a dedicated internal multidisciplinary Team to promote the Code among all stakeholders has begun its activity		To continue to inform, train, spread and disseminate the new Code among all stakeholders (including employees, especially new hired people)
Dedicated Master have been launched with the following Italian Universities: L'Aquila (Safety in O&G); Camerino (Health); Pisa (Elettroacustica); Milano Cattolica (O&G Management); Milano SDA Bocconi/MIP Politecnico (General Management)		Updating, improvement, extension of Key Resources Development policies
		Training on Quality: defining, implementing and spreading different training tools and methodologies, such as e-learning and class training, related to quality topics Communication and awareness initiatives: in conjunction with the publishing of the Quality supplement to 'Orizzonti', there will be an advertising campaign to make awareness on quality topics and the launch of the new Quality logo

SAFETY	
Commitment	2008 Actions and Objectives
Improve safety performance	Zero Fatalities The LTIFR Target for 2008 is 0.65 15% increase of all Leading Indicators frequency rates
Enhance Leadership in Safety	Continue the implementation in order to achieve at least 3,000 people exposed to the program Plan and develop the phase 2 of the program
Implement Program for Improved HSE Risk Assessment Management	Develop a software for job specific risk assessment
OHSAS 18001	Pursue accreditation from third party where systems are mature At least 2 Operating Companies new certification
HSE Training	Focus on all types of training in order to raise the level of competency of personnel to QHSE aspects. This especially for specific position as crane operators and offshore field engineers Increase technical and influential skills of personnel Increase HSE Design competencies within the HSE teams
Improvement of HSE Accounting System	Increase monitoring of HSE investment to improve effectiveness and control Creation of a new software application to improve safety data managing and collection
Auditing	Develop or maintain a strong auditing process in order to ensure that appropriate management arrangements are in place, adequate risk control system exists and compliance with Saipem, regulatory, and clients standards are assured
Communication	Continually promote and facilitate an effective and two-way communication system at all levels within the entire organisation Ensure that a proper Project Quality and HSE close out report is prepared for each project and provide evidence to Corporate when relevant information are available
HSE Design	Map resources, capabilities, procedures and tools available within the Group for the HSE activities in Design Promote communication and sharing of experiences and best practices throughout the Group
Legislation Compliance	
Industrial Hygiene Monitoring	
Management of Subcontractors	

2008 Results	Progress	2009 Actions and Objectives Proposed
<p>8 fatal accidents. The LTI Frequency Rate for 2008 is 0.50 and TRIFR is 1.55 All Leading Indicators frequency rates increased of 15% or more (see 'Safety Statistical Data' table - page 69)</p>		<p>The Saipem Group main Safety goal is to achieve Zero Fatalities and reduce the number of accidents which have an effect on the Saipem and subcontractor personnel health and safety</p>
<p>In 2008 there have been organised more than 150 sessions with more than 1,000 participants, which involved Saipem employees from all levels</p>		<p>Continue the LIS Workshops Enhance the LiS Culture-Development of tools addressed to help the LiS workshop participants to effectively and efficiently implement safety leadership behaviours into their activities and spread the Saipem safety vision</p>
<p>Definition and startup of working groups for implementation in the company of the new Italian legislation requirements</p>		<p>Revision of internal risk assessment procedures in compliance with new European directive, to ensure the standardisation across the Group of the techniques to be used for an effective and adequate risk assessment process</p>
<p>Certification of 3 operating companies: Saipem Contracting (Nigeria) Ltd, Intermare Sarda SpA and ERSAl Certification of Onshore business unit</p>		<p>Ensure continuous improvement of the Operating Companies HSE management system</p>
<p>Performed more than 1 million hours of Safety & Environment training Special sessions dedicated training courses for Safety Engineers involved in Drilling projects</p>		<p>Enhance the HSE Training for Operative personnel Implementation of a specific HSE training program addressed to new employed personnel, mainly working in offshore and drilling activities</p>
<p>Software programmed to be launched in the first quarter 2009</p>		<p>Updating and improving of the standard Corporate for the environmental accounting for all the Saipem activities</p>
<p>Performed 142 audits</p>		<p>Re-enforce the Safety audit process in Saipem Sites and Units. Develop specific auditing programs in order to ensure that appropriate HSE management arrangements are in place, adequate risk control system exists and compliance with corporate requests, regulatory, and clients' standards are assured</p>
<p>Creation of the QHSE site and use this tool for two-way communication between Corporate and various Saipem Operating Companies, Branches and projects The QHSE site is used as knowledge share tool within Saipem Company</p>		<p>Improvement of the Group HSE Network Communication: continually promote and facilitate an effective and two-way communication system at all levels within the organisation Systematically share at all levels applicable safety experiences, lessons learnt and best practices Continuous improvement of the QHSE Portal</p>
<p>The organisation of HSE activities suffered a structural change which adapts to the new Saipem structure on business units The new HSE structure includes also the activities of HSE assurance (such as HAZOP, HAZID), which represent a section of the former HSE Design belonging to the Onshore construction activities, while the environmental services for clients and operative activities of the HSE Design are now a part of the process engineering, being called Loss Prevention</p>		<p>Improve the HSE in Design capabilities during engineering phase of projects Onshore, Drilling, Offshore, with emphasis on new Assets construction. Define relevant Corporate standard to assess critical an complex systems Development of training plans for personnel with HSE responsibilities during engineering phase of new projects</p>
		<p>Continuously monitor new safety legislation and ensure full compliance across the organisation</p>
		<p>Enhance the Industrial Hygiene Campaign Continue the implementation of the Industrial Hygiene Campaign on board the offshore units. This campaign addresses the safety concerns regarding hazards induced by noise, vibration, asbestos, electromagnetic fields and chemical risks onto the work environment. All these hazards are monitored and risks mitigated by implementing adequate protective measures in order to eliminate the risk or reduce it as low as reasonable possible</p>
		<p>Specific HSE meetings with the subcontractors will be organised in order to improve the collaboration with them and the efficiency of the Saipem HSE management system implementation</p>

STAKEHOLDERS ENGAGEMENT

Commitment

2008 Actions and Objectives

Customer Satisfaction

Enforce Customer Satisfaction Monitoring activities, both external (end Client) and internal (other Saipem Group Operating Company and/or internal Departments). Push to organise direct meeting with Clients for the feedbacks collection and develop common analysis on feedbacks in order to identify areas of improvements

Vendors & Subcontractors (V&S) Performance Evaluation

Support V&S performance evaluations feedback collection, divulgate V&S Performance Evaluation tools and methodologies and develop specific training activities to involved personnel, assess process efficacy during Internal Audit

Monitoring of training activities on Procurement Web Site and Vendor Feedbacks system

Work with Key Subcontractors to improve their HSE Performance

Initiate development and implementation or maintain systematic and comprehensive subcontractors safety programs, with the aim to help them improve their systems and achieve improved overall HSE performance

Perform periodical visits to their premises, review their performances, provide to Corporate proper feedback on their performances

Repeat the QHSE Forum and extend attendance to international vendors

Engagement process

Increase internal and external Sustainability communication

Collect feedback on Saipem Sustainability Report

Implement the stakeholders engagement process at corporate and site levels

Sourcing in Emerging Countries

Improve qualification process in order to increase compliance with ILO standards

HEALTH

Commitment

2008 Actions and Objectives

Health Management System Monitoring

Improve Company's Health Performance Indicators monitoring process, involving and informing the Operating Company's Top Management about main obstacles in reaching the desired results

Health Prevention, Promotion and Protection Programs

Increase the educational programs, prevention campaigns, training activities and information process to Saipem employees

Occupational Diseases

Insist in the monitoring of the incidence of the occupational diseases, and eventually develop a improvement or remedial plan to ensure the target of 'Zero' occupational diseases

Subcontractor's Health Management System

Assure that the Health Management related issues are included in and an integrant part of the requirements in all subcontracts. This requirement has to be part of the bidding process, and once the contract has been awarded, the auditing process has to be put in place in order to ensure that the subcontractors are implementing the requested system

Health Risk Assessment

Assure adequate resources, training and equipment to develop and keep updated the Health Risk Assessment at operating companies' and project's level

Promote among the company's management the elaboration of the Health risk Assessment prior to the commencement of actual operations of the project

2008 Results	Progress	2009 Actions and Objectives Proposed
A draft of the feedback collection and analysis model has been designed		The model will be detailed further and tested in order to find its criticalities and improving areas
Released Vendor Feedbacks exceeded the target for 2008		Release V&S performance evaluation feedbacks (260)
Performed training activities in SES, Saipem sa (Paris - France) and Saipem SpA in Italy (San Giuliano Milanese, Fano and San Donato Milanese offices)		Perform training activities on PWS to Procurement Departments (3)
The list of Vendors to attend the QHSE forum was set and also speakers and workshops topics have been identified. Though the date of the event have been postponed to 2009		Perform QHSE forum with international vendors as set in 2008 Throughout 2009 will be even carried out a turn of events to discuss quality related topics with homogeneous groups of Italian vendors
Completed Survey with Eurisko		Improve support to business. Consolidate feedback collection on Report
Released new Sustainability Policy		
Revised Vendor Qualification Questionnaire		
Added Sustainability Contractual Clause		
		Improve local market knowledge through vendor qualification and increase Saipem spent in the local area Vendor development by establishing frame agreement
		Modify qualification questionnaire to include information about Vendor compliance with minimum legal age requirements
2008 Results	Progress	2009 Actions and Objectives Proposed
The coverage increases to 174 reporting operating units		Assure that each operating companies organises the Health Management review
GIPSI e-Learning course were launched and enrolled all health personnel having access to GIPSI web to learn and refresh their knowledge of the program		
Cardiovascular campaign were launched through Health portal with more than 4,000 registered accessed on it. CD's version were distributed to operating units not having intranet link		Develop at least 2 e-Learning Health Prevention programs. Create and distribute CD and DVD's for at least 2 already existing multi-lingual Health prevention programs
Anti-smoking campaign were intensified within Saipem Group; nicotine replacement and psychotherapy sessions were provided to willing smokers		
6 occupational diseases were declared during 2008		Implement Health Risk Assessment (see the target below) to assures adequate individual and general protection at the workplace, followed by strict monitoring of incidences to achieve ZERO occupational diseases. Develop and implement training programs and information campaign on different occupational diseases considered potential hazards to our employees
Meetings with some major subcontractors to inform them about Saipem Health Management system were organised. Saipem Health Management System DVD's were distributed		Improved subcontractors Auditing process
38 operating units created their own Health Risk assessment through web. Additional 20 persons were trained in Kazakhstan in 2008. All newly hired medical personnel go through HRA training course during their induction period		Dedicate a resource person to follow up the implementation of Health Risk Assessment program

People

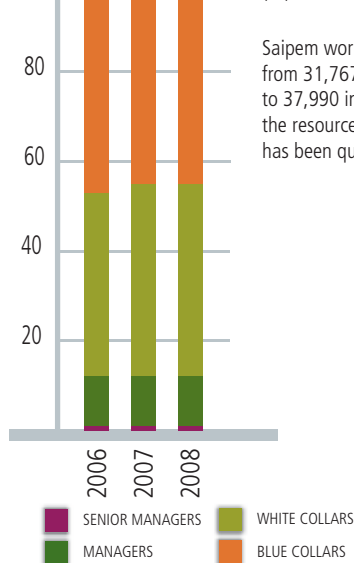
One of the underlying purposes of Saipem's policies is to ensure that the best people are available to the business worldwide. In order to better pursue this objective, in the general reorganisation of the Company which took place in 2008, two new roles were created within each Saipem business: the BU-HR Manager and the BU-Career Manager. Managers in these roles work with support and coordination from Corporate departments and HR Area Coordinators to implement specific strategies for attracting and retaining talent as well as for continuous development of human capital and knowledge transfer. These actions are based on four key-elements: recruitment, development, training and compensation.

Particular attention is given to local content programs designed to accelerate the replacement of expatriates with local people in an increasing number of managerial positions. These programs, which operate across all

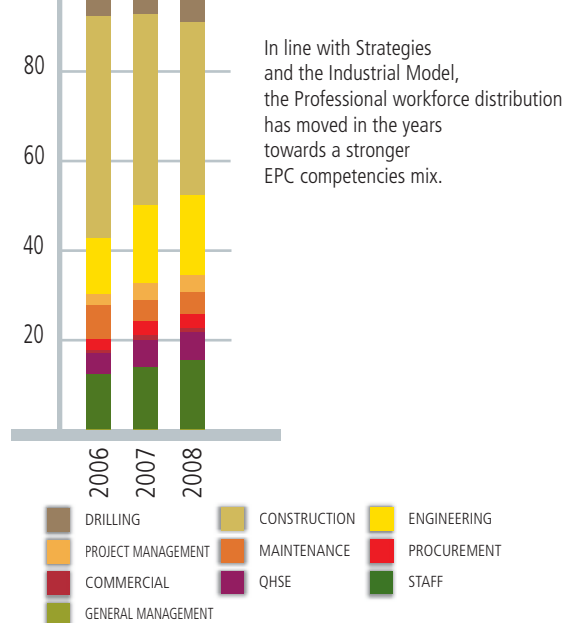
four key-elements, are locally operated while being coordinated at the Corporate level by a dedicated HR team. Such initiatives are already running in Kazakhstan, Nigeria and India. In Angola, future plans are being finalised according to local requirements. In Romania, the program is focused on onshore engineering. Programmes are also being finalised in Algeria, Indonesia, Saudi Arabia and Egypt.

During 2008, in order to recognise, promote and improve specialised competencies and strategic know-how possessed by employees, Saipem introduced the title of 'Knowledge Owner' in its professional system. In return for this recognition, Knowledge Owners are asked to give more attention to passing on their specialised knowledge and competencies as they carry out their activities. This may include teaching and tutoring young employees and putting forward suggestions for developing knowledge and skills.

WORKFORCE COMPOSITION BY CATEGORY (%)



WORKFORCE DISTRIBUTION BY PROFESSIONAL AREA (%)



LOCAL CONTENT IN FOCUS - INTERVIEW WITH A QUALITY MANAGER IN SAIPEM CONTRACTING NIGERIA LTD

The development of local content needs to be reflected not only by quantity but quality, for example by having local employees in managerial positions.

This is the case for **Abdullah Sanusi, Quality Manager with Saipem Contracting Nigeria Ltd.** After his graduation in 1990, Abdullah joined the Nigerian National Petroleum Corp, working in its pipeline and product marketing division as his national youth service. He then went on to work as an assistant pipeline corrosion engineer. He joined Saipem Nigeria Contracting Ltd (SNCL) in July 1992 as QA/QC Technical officer, progressing to become a Project Quality Manager. Then in 2003, SCNL Management set up quality management system and Abdullah took the position of SCNL Company Quality Manager.

HOW DID YOUR COLLEAGUES IN THE QUALITY TEAM PERCEIVE YOUR CAREER AND YOUR ACHIEVEMENT?

The fact that a 'local' has been appointed in a managerial position is a strong motivation for all of my colleagues. With the full support of the local management I have been able to send various professionals for training in-country and offshore. Many of the local staff today occupy key project positions such as Project Quality Manager. More than 80% of the Quality personnel are now locals.

HOW DO YOU SEE THE ROLE OF LOCAL SUPPLIERS/ SUBCONTRACTORS IN SNCL?

Saipem's engagement of local suppliers and subcontractors has been limited in the past. However thanks to Saipem's efforts in line with Nigerian content regulations, engagement of local suppliers and subcontractors in core project packages is increasing. A substantial number of engineering man-hours is now being subcontracted to local engineering companies including key project fabrications such as pressure vessels, knock-out drums and so on.

HOW WOULD YOU JUDGE SAIPEM'S IMPACT ON THE COMMUNITY?

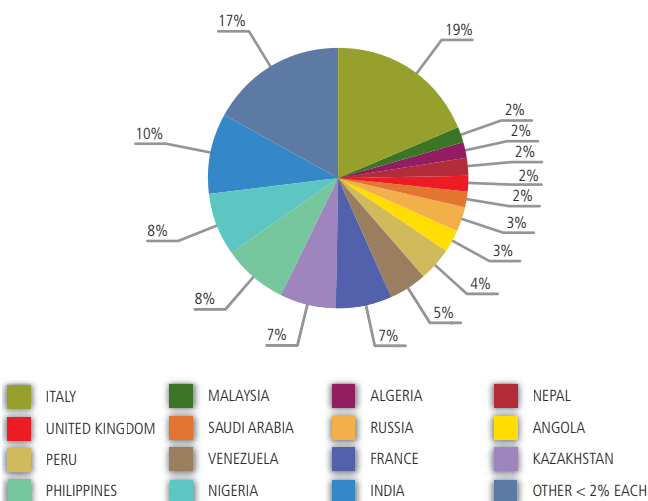
There are two types of 'effects': direct and indirect. The direct impact comes from job creation, training, community development assistance and wealth creation through supplies and subcontracts. The indirect impact includes wealth creation among the community through the opportunity to offer services to people that come to work in Saipem - SCNL has more than 2,000 workers.

HOW DO CUSTOMERS PERCEIVE SAIPEM?

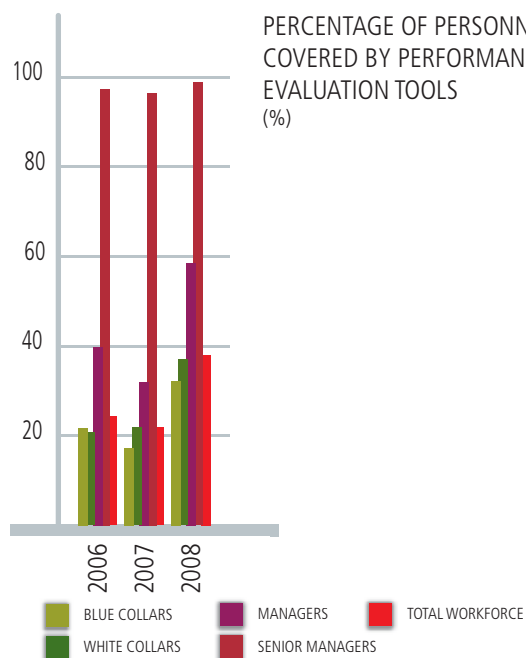
Customers see Saipem as an excellent partner very well organised, with the expertise and assets to solve complex project problems. This fact is well known to our customers and competitors. Local regulatory bodies are also very satisfied with our efforts. I receive these comments each time I am in contact with them.

WORKFORCE DISTRIBUTION BY NATIONALITIES (%)

Saipem People are from 115 nationalities and 85% of them are locally employed.



PERCENTAGE OF PERSONNEL COVERED BY PERFORMANCE EVALUATION TOOLS (%)



People Management

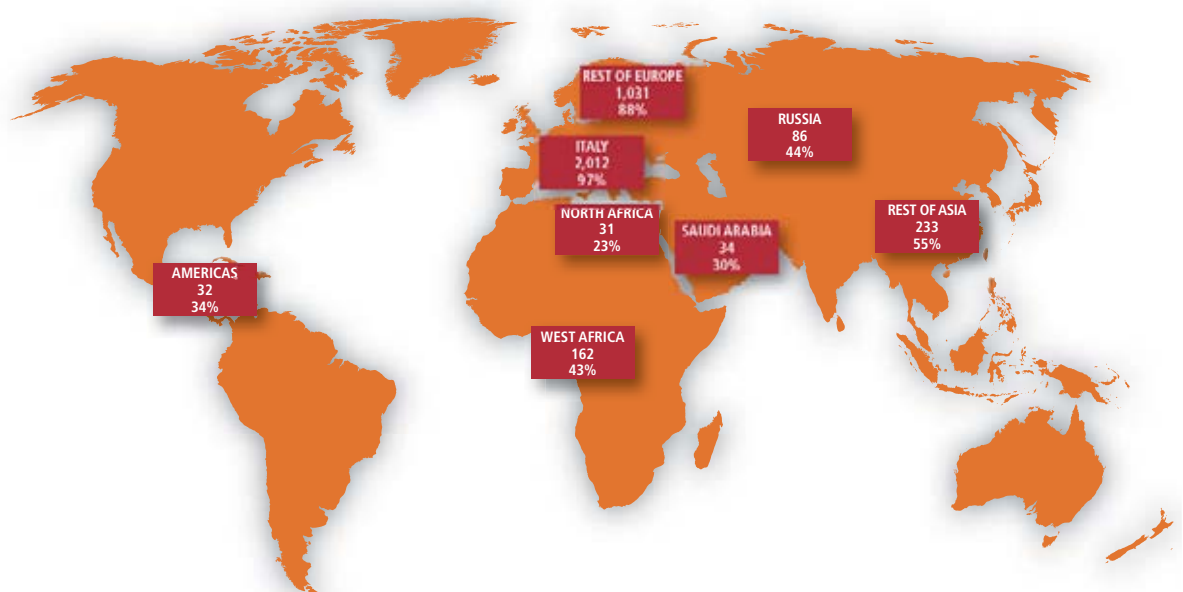
Saipem believes that the secret of its success lies in each person, in their motivation to develop while working in a challenging but fair environment, which offers equal opportunities based on merit criteria, with no sexual, racial or gender discrimination. The first key-element of the Company's strategy is the recruitment process. In order to attract talented people and accelerate their development, Saipem arranges general agreements, internships, or specific educational programs such as Masters degrees with Universities, Business Schools, or Technical Institutes and, in some cases, creates its own 'Saipem schools' to give young technicians or graduates professional education to complement training on the job.

Among partnerships with Universities, the most significant are at:

- Technical universities at Almaty, Karaganda & Uskemen in Kazakhstan: internship & induction programs for Vessel Maintenance & Welding Engineering.
- American Universities in Cairo (Egypt) and Sharjah (UAE): Alumni & Internship program for Discipline Engineering.
- IIT and NIT University at New Delhi, Chennai and Mangalore in India: Career Fair partnership.
- Newcastle Technical University in the UK: recruitment stream for Pipeline Engineering.
- Technical University in L'Aquila and Pisa in Italy: partnership on master course on O&G Safety Management and Subsea Electro- Acoustic Engineering.

Young graduates joining Saipem are placed onto dedicated three year Induction & Development programs:

LOCAL MANAGERS AND PERCENTAGE OF LOCAL MANAGERS ON TOTAL MANAGERS



- The Induction Plan is the first step towards the career path; it designs training and job activities to be carried out during the following years.
- Training Plans offer four types of courses: Saipem Business Knowledge, Basic Skills, Professional Skills, and Managerial Skills.
- Motivational Interviews give young employees the opportunity to express their points of view, expectations and suggestions, as well as giving feedback.
- After three years in the Company, potential evaluation assessment is carried out on graduates' capacity to attain greater personal development and deeper skills knowledge. Managerial potential is further assessed two or three years later by a Potential Review.

The evaluation of managerial capabilities is finalised by the identification and formalisation of the experiences, capabilities and professional and interpersonal skills of the managers. The systematic collection of this



THE SECRET OF SAIPEM
SUCCESS LIES IN EACH
PERSON

INDUSTRIAL RELATIONS

Industrial relations in Saipem's businesses are managed by taking account of the social and economic environment in which the company is working, as well as the labour and legislation of the countries concerned. As a result, and in line with the company strategies, Saipem seeks to harmonise relations and successfully manage with Trade Unions, Industrial Associations, Public Administration and Institutions.

Industrial relations activities in Saipem aim to prevent or decrease labour litigation cases involving employees and claims or disputes involving unions by pursuing shared aims and agreements. These cover the expectations and roles of different parties, and sometimes include agreements or memorandums of understanding at company, regional or national level.

This proactive approach has had excellent results in recent years, enabling the Company to manage the fluctuation of workloads, while avoiding social conflicts and limiting legal and labour litigations. During 2008 this approach was successfully pursued in the two mergers completed in Italy (the incorporation of Saipem FPSO SpA, Saipem Energy International SpA and Engineering & Management Services SpA in Energy Maintenance Services SpA later renamed Saipem Energy Services; and the incorporation of Snamprogetti SpA and Ecos Group Srl in Saipem SpA) and the disposal of Camom sa in France (which had 1,421 employees including 834 blue collar workers).

Saipem is a partner and signatory to several international agreements in the oil and gas industry and is a member of the European Companies Committee through its Company and Trade Unions delegates.

Moreover, Saipem is also one of the subscribers of the Offshore Standard Collective Agreement (ITF) which covers contract, wage terms and conditions for International Maritime workers.

QUALITY 'LOCAL' COMMUNITY: A VALUE ADDING NETWORK WITHIN THE GROUP

Training initiatives on local resources, consciousness of working in an international environment, the possibility to enhance synergy with local enterprises and Saipem's work on the focus on local content development, led the Corporate Quality department to build up a Quality Management class for local staff, in most countries where Saipem works.

The Quality Department strongly believes in permanent training activities to raise the level of skills among personnel about Quality. Increasing technical and influencing skills of personnel by means of training courses, workshops, and participation in seminars and conferences dedicated to specific Quality matters are among the department key responsibilities.

A concrete example of this commitment is the training of 'dimensional control' resources in Nigeria, Congo and Angola. Within the Saipem Group, dimensional control is a discipline that is part of the Quality Control/Quality Assurance



Department. It is responsible for structural measurement, verification and documentation certification. This course, held on June 2008 in Intermare Sarda, with the collaboration of MT Measurement Technology Ltd (Scotland) and the Quality department, was designed to introduce Saipem students to the techniques and organisation that are involved in undertaking innovative structural measurement control at a modern offshore construction yard. The course is at an introductory basic level but utilises the most modern and technically sophisticated electronic measuring systems and computer programs. It also incorporates a general understanding of construction methods and basic geometric mathematics.

The next step will be the definition of a Corporate standard or guideline, defining a common standardised process for all Group's Fabrication Yards.

Another important initiative in this area is one that, in October 2008, thanks to the efforts of ERSAL LLC QHSE Department, led up to an agreement with Karaganda State Technical University (KSTU), in Kazakhstan.

It set up the principles of the mutual cooperation concerning the development of innovative technologies, preparation and raising of qualifications of specialists in oil and gas, construction, mechanical engineering, power and metallurgy industries. Training and seminars on Quality assurance and Quality control and qualification of specialists will be carried out by ERSAL QHSE department at the 'Welding' training centre of the KSTU and ERSAL LLC base.



information enables Saipem to plan development activities for managers and their job rotation in the Company.

Saipem's performance evaluation, recently improved, covers the entire workforce and represents one of the fundamental tools for the strategic management of human resources by being targeted at sustaining and leveraging the individual contributions to the

achievement of company's results.

Management by Objectives is applied to the top management and to managers whose performance is objectively linked to measurable and quantitative targets. Manager's scorecard is also including at least one sustainability target per year. Performance is significantly linked to individual compensation, which is also strongly influenced by overall company performance.

Our portfolio of tools is completed by the structured collection of information related to each individual's professional experience through a Structured Resume Tool as well as by measuring employees' motivation by means of motivational interviews with new hires and feedback sessions between employees and superiors.



OPERATIVE MEETING ONBOARD

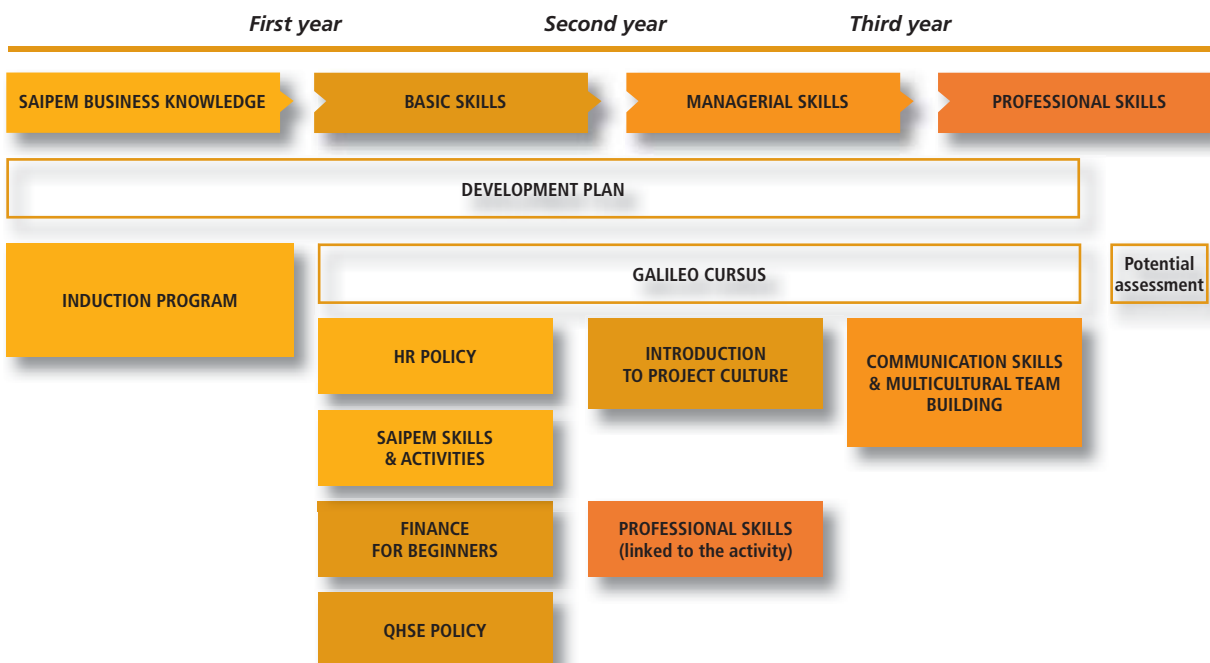
Training

Training is a key activity and is used as a strategic factor to increase the effectiveness of recruitment, especially for critical roles for which candidates are difficult to find on the labour market.

In 2008 and for 2009 training strategies have been focused on four main areas:

- Business Development: to support the diffusion and the consolidation of Saipem's knowledge management system and the preservation of technical know-how, Centres of Excellence for Training are under development in key areas such as Kazakhstan, North Africa, Nigeria and India.
- Professional families: supporting development of Saipem's key professional roles, dedicated training programs are planned for Project Management, Operations (offshore and onshore construction, drilling, fabrication) and Engineering (offshore installation methods and onshore design engineering). These support professional development and provide

YOUNG GRADUATES MANAGEMENT SYSTEM



THE SAIPEM 'SCHOOL 1' PROJECT

The project's objective was to train 30 young technicians so that they could be introduced into the innovative and multicultural business context that Saipem is.

The project ran for six months, consisting a first stage in the classroom (four months) at Consel Centre in Rome and a second stage of on-the-job learning (two months) directly at Saipem offices (Italy or abroad).

At the end of the course, the trainees were assigned to the areas of Maintenance, Project Control, Welding and Fabrication.

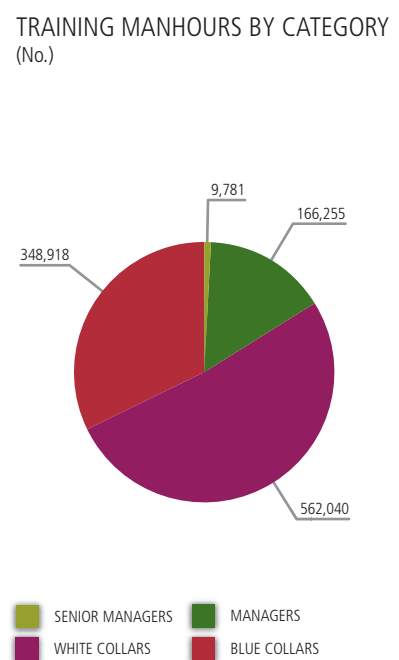
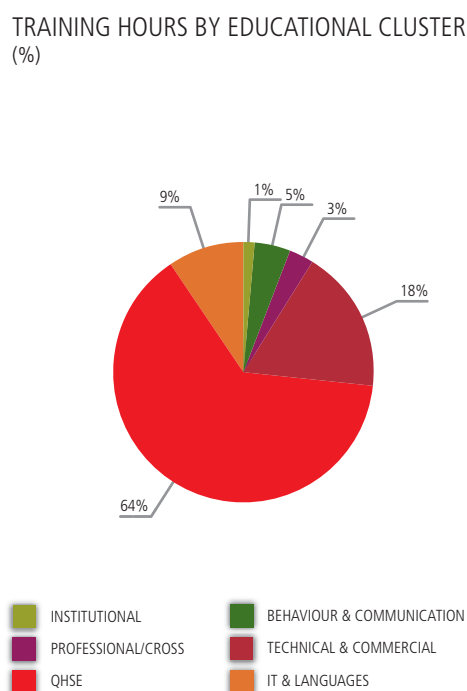
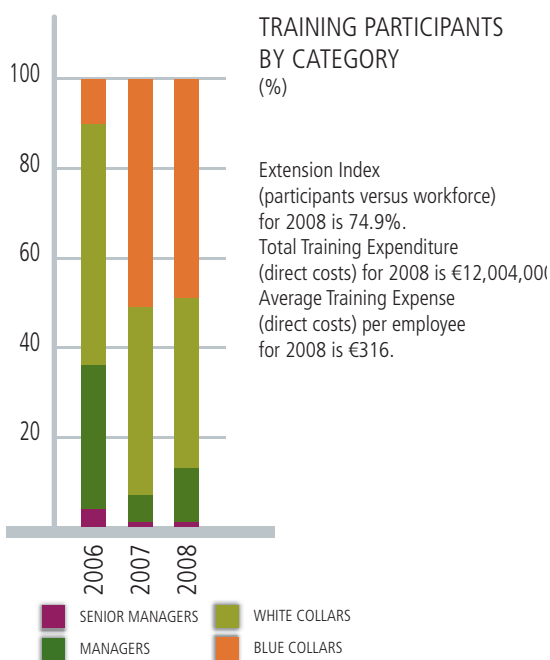
Three recruitment steps have been scheduled: two motivational interviews held by Consel Elis' professional recruiters and Saipem HR representatives to evaluate people motivations, team working, leadership and a final technical interview directly with line managers.

The training path was made up of a first stage in which trainees tackled specific and collateral subjects concerning the role of Saipem Engineers including the basic competencies missing from the High School curriculum such as English, IT applications and Economics and a second stage which was more professionally-driven, focused on transfer of know-how.

Line managers held specific lessons to provide an into-depth-study of analysis and problem-solving skills related to projects to which the young technicians have been assigned.

- a training offer closer to Saipem's needs.
- People Development: supporting development of general management competencies: Leadership,

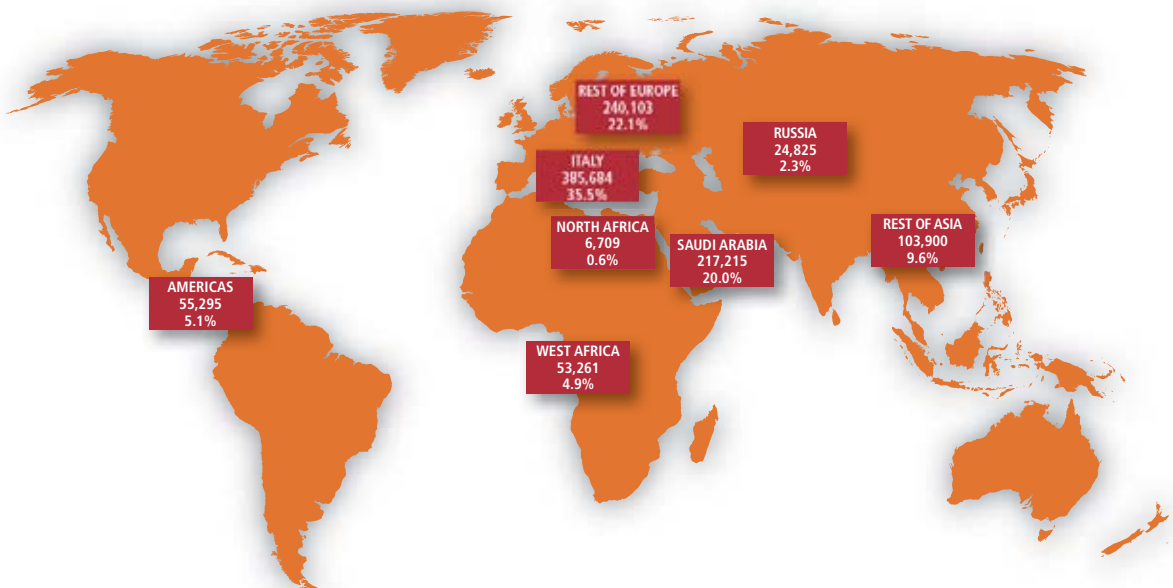
- Team Management, Change Management, Listening & Communication.
- Culture and Values: supporting the development of





TRAINING ON THE JOB

MANHOURS TRAINING AND PERCENTAGE OF LOCAL TRAINING ON TOTAL



strategic topics such as Safety, Sustainability and the diffusion of Saipem's Code of Ethics.

Particular attention is given to the recently inaugurated Training Centre at Chennai in India, which has been initially dedicated to training cost controllers, planners, project controllers and NDT/AUT professionals, moving towards training courses for QA/QC professionals, HSE engineers, Contract Administrator.

Compensation

Saipem's compensation policies follow a strategy of global consistency which applies common principles across all geographies, combined with local differentiation to take into account the fact the Group operates in more than 100 countries with more than 50

Companies and Branches, clustered in 7 geographical areas. Therefore Saipem has established a degree of internal equity that brings local practices to a common level of quality and orients employees toward common targets and values.

In all countries where reliable counterparts such as trade unions are recognised, employees' remuneration is subjected to collective bargaining that ensures fairness while updating salaries and taking into account inflation and the local economic situation.

At the same time, Saipem promotes a local approach within its globally consistent framework in which pay is generally aligned with local market practices and salary levels. One basic principle of Saipem's global approach is to use a variable system of pay-for-performance,

TOTAL REMUNERATION STATEMENT - SAIPEM SA

Every year, Saipem sa sends to all permanent employees a presentation of individual compensation schemes.

This scheme, sent as a printed document, enables every employee to:

- *gain knowledge of each item which forms part of the compensation scheme;*
- *understand all the compensation services provided by the Company and the financial advantages they can benefit from as permanent employees of the Saipem Group (especially for the new schemes that are implemented);*
- *understand the level of competitiveness and attraction of Saipem's total remuneration package;*
- *validate personal information (family status, number of children, address).*

The positive feedback received through this initiative has encouraged the HR Compensation team to launch a new project which gives more details and is more up to date with the inputs of the Salary review, profit sharing and stock options plans.

The new Total Remuneration Statement for 2009 will be made accessible to all employees through the Internet (with individual User ID and password) to facilitate the communication with expatriates. The tool will enable all items of the compensation package paid to the employee to be shown together with the costs for the company and provides access to all legal agreements and legislation regarding social measures implemented in the company.

DONATION TO CITY ANGELS

In occasion of the Annual Meeting that took place in Milan in December 2008, €3,800 were donated by Saipem employees to the Italian NGO City Angels, Milan section. Sincere words of thanks were expressed by Mario Furlan, founding father and president of the organisation. The donation will be used to provide basic essentials to the children of 'Casa Silvana', the first temporary care home in Italy for homeless women and their children.

combined with a fixed system of pay for skills and jobs. As a consequence of this global approach with a local focus, Saipem promotes and sponsors compensation benchmarking and survey in many countries. Saipem's basic principles of compensation lead to a continuous activity, in many companies and countries, of benchmarking and surveys of salary levels and scales used at local level and of local best practices or key tools. Surveys are managed by local HR Managers (with strong Corporate sponsorship) using major international agencies specialised in such salary surveys when they have local branches and are available. Surveys are used to align salaries to the best national market practice and normally to at least the market median for any job, to build a salary structure for the Saipem company operating in that country. The internal salary structure is defined on the basis of a local survey approved at Corporate level and drives any salary decision or promotion as well as the preparation of the annual salary review. Furthermore, this makes the management of offers during recruitment processes more effective. As a consequence, Saipem aligns its salaries with peers and competitors on the local market and not with the international market, with the exception of the drilling business for which international surveys are used. Saipem's remuneration packages include benefits that

integrate traditional salary policies. The nature and structure of the benefits is based on the realities and needs of the different communities where the Group operates. Where these benefits are already required by labour legislation or included by collective agreements, Saipem aims to meet or exceed the market standards to ensure its overall package is competitive and attractive and to retain key personnel and knowledge owners.

With the aim of improving feedback and responses on the compensation strategies and offers, new communication tools have been developed giving full evidence to employees of their annual total remuneration package, stating not only the basic salary but all benefits and gratuities are part of their own 'partnership' with Saipem. These started in France in 2007 and the UK in 2008.

Internal Communication

In 2008, Internal Communication activities broadened the range of tools and solutions used to foster the diffusion of Saipem values and know-how everywhere the company operates, with particular attention given to areas involved in integration programs.

The in-house magazine, **Orizzonti**, with an average run of 12,000 copies per issue, has increased its content and added new sections, thanks to contributions from

NEW SAIPEM INTRANET PORTAL

The new Saipem Intranet Portal was launched in May 2008 – a tool designed and developed for communicating with all users connected to the company network in a rapid and uniform manner, irrespective of their geographical location or nationality. The site also provides personnel with access to all of the applications and services needed to carry out their work activities through a single access point. The main objective of this initiative is to strengthen employees' sense of belonging to one, single company, while at the same time opening two-way communications between headquarters and local offices and sites. This is done by means of a multinational editorial office that, as well as publishing shared content, reports on news sent in from branch offices of interest to all users. After an initial trial stage, colleagues from foreign offices have shown their appreciation of the chance to cooperate actively in editorial activities by sending in ever-increasing volumes of news, comments and suggestions in. The content and information areas common to all users are always written in English by the editorial staff. At the same time, the main branch offices are given the opportunity to publish specific content and information regarding a given geographic area in the local language on channels visible at national level (Country Channels).

Users can customise their personal profiles at any time to display corporate content on its own or to add content regarding a specific geographic area. This feature has been greatly appreciated by expatriates who, wherever they find themselves, can easily access information and news regarding their home company.

Content is organised into a limited number of channels, each of which identifies a macro area. The main ones are: Our Company, which provides information of a general nature on the company and current procedures; Press and News, with information about projects under development and links to the main news agencies; and the Personnel Area, where users can find everything about employee relations, as well as areas dedicated to training, development, security and social activities.

readers, confirming a widespread positive perception of this tool.

Amongst the new initiatives, the **Intranet Portal** is worthy of note. It went online in May 2008, with access initially limited to users in Italy. Service was successively extended to the over thirty thousand users connected to the Saipem network (see box above).

Security

In critical situations, relating to the majority of the countries in which Saipem operates, the Security function has a fundamental role to play in ensuring the security of personnel and assets.

In order to regulate security activities, in 2008 Saipem issued a guideline document which, in line with the Eni

Corporate guidelines on security activities and with the Italian law on public safety (Legislative Decree No. 81 of April 9, 2008), is based on the principle of respect for human rights. The company introduced a Corporate security management function called SECUR, which is currently being implemented in Italy and abroad with the creation of business security units, whose task is to ensure the effectiveness of the operational security effort and guarantee a rapid response to personnel security requirements.

In countries where risk levels are particularly high, Saipem has decided to introduce the position of Group Security Coordinator, reporting to the Security Corporate Manager, responsible for supervising and coordinating security activities at a local level. A Group Security



SECURITY FOR OUR
PERSONNEL AND FOR
THE LOCAL COMMUNITIES

Coordinator is already in place in Nigeria, and others are to follow soon in Algeria and Angola.

The security strategy adopted by Saipem Corporate is also focusing on prevention.

For this purpose, Saipem has introduced a Golden Rule for commercial activities which makes it obligatory to carry out an economic evaluation of local security risks at the contract negotiation stage. Since the safety of its personnel is of the utmost importance for Saipem, any exceptions to this rule must be approved by Human Resources Function or SECUR.

The Nigerian Delta once again proved a difficult operating environment in 2008, due to its socio-political and security conditions. Saipem has had a presence in Nigeria for many years and guarantees a high level of security by concentrating on ensuring good relations with local communities and adopting all necessary measures of protection for personnel and facilities, in close collaboration with the federal and local authorities. The periodic meetings that the security units hold with local communities in Nigeria help create a safer climate for company operations and enable them to assess what protection measures to adopt. The meetings provide a useful opportunity to listen to the needs of village leaders – principally legitimate requirements regarding

employment opportunities – and create the conditions for a climate of mutual trust, which represents a key element of the Saipem security strategy.

Following the adoption of its corporate security guidelines, Saipem has introduced clauses based on the Basic Principles of the United Nations on the use of force and firearms by security forces and on the Voluntary Principles on Security and Human Rights in contracts with security firms.

Moreover, the company philosophy of not having armed security on board its vessels means that the Saipem security system is required to make significant efforts on a daily basis to prevent threats and thus to limit interventions by security forces.

The large number of attacks carried out on supply vessels, many of which belong to a single ship-owner, were fortunately resolved without injury to Company personnel.

Meanwhile the deterioration of the situation in Algeria, Pakistan and India, which saw an increase in terrorist attacks during 2008, has led Saipem – while not representing a direct target for the attacks – to increase its security levels by taking physical and logistic security measures aimed at ensuring the safety of its personnel and assets, and considering all potential risks.

MIOGATE - MASTER'S DEGREE

The Master in Oil and Gas Telemedicine and Telepharmacy by Camerino University (UNICAM), Italy, in collaboration with Saipem is the first postgraduate degree course offered in this field in the world. The mission of MIOGATE is to provide health professionals, working in oil and gas fields or platforms, specific training in e-health, telemedicine, telepharmacy and their practical applications. Although located in remote areas, these professionals can access to second and third level specialist and expert advice via telemedicine and continuously update their medical knowledge. In June 2008, after a year-long distance-learning education and series of examinations, two emergency drills, in Milan and Rome, and individual dissertations in a form of thesis on various e-Health issues, nine doctors, from eight different countries working in Saipem health organisation worldwide, successfully graduated this master degree.

An interview was carried out with two of the graduates (Dr. Ivan Petrov and Dr. Elena Croitoru) to get their view and share their experience about the course.

■ WHAT DOES MIOGATE REPRESENT FOR YOU? HOW IS IT IMPORTANT TO SAIPEM'S HEALTH SERVICE?

Dr. Petrov - MIOGATE was my opportunity to enrich my knowledge and broaden my vision on the future of the medical practitioner in the oil & gas industry. MIOGATE showed me the latest achievements of telemedicine and e-Health which are already beginning to deliver tangible benefits and changes in the way we work. It also inspired new ideas about the future development of the classical patient-physician relations.

■ DESCRIBE YOUR EXPERIENCES WITH THIS MASTER'S DEGREE COURSE AND YOUR INTERACTION WITH YOUR PROFESSORS AND OTHER ATTENDEES?

Dr. Croitoru - MIOGATE was my first enrolment in a virtual learning class and my first experience of replacing conventional learning with 'a virtual' one. This way of interacting with MIOGATE teachers – only through email – was new and challenging for me. The first practical exercise which took place in Milan, represented the moment in which the email names

became physical persons and I had the opportunity to meet MIOGATE teachers and my colleagues.

■ HOW IMPORTANT AND EFFECTIVE IS DISTANCE LEARNING EDUCATION IN YOUR PRESENT FIELD OF ASSIGNMENT?

Dr. Petrov - Considering the responsibilities of my current assignment, a distance learning program was the only reasonable option for any postgraduate education. I am currently health coordinator in Nigeria therefore I would have been limited in any other type of educational program by my geographic location. MIOGATE was my first distance learning encounter and I definitely found it significantly different comparing it to the conventional learning programs I have attended so far. Although I experienced some inconveniences at the beginning, the advantages outnumbered the disadvantages by far.

■ HOW CAN YOU APPLY LEARNED KNOWLEDGE AND CONTRIBUTE TO SAIPEM HEALTH SERVICE?

Dr. Petrov - What I have learnt in this course helped me to be more effective in managing health issues encountered in the realities of Saipem's work using modern technologies. As an example I will give our attempts to enhance the implementation of various e-Health applications in Saipem Nigeria. The academic environment prompted me to look into the reason for the non-satisfactory results under the surface of what was initially identified or described as a 'technology problem'. The analysis revealed that the problem was not about technology but about underestimation of the importance of personal relationships. They appear to be the most critical factor in the success of a tele-health and telemedicine initiative.

Dr. Croitoru - Being aware of the new possibilities in the health world, thanks to technology, gave us the opportunity of developing and implementing new Health programs structured on the basis of telemedicine. Apart from telecardiology, already implemented in our working sites, new health tele-branches could be developed into Saipem health world, like teledermatology or telediabetology.



HEALTH CLINIC IN ERSAI
YARD, KAZAKHSTAN

Health

Saipem recognises its responsibility towards employees' health. The company has implemented a comprehensive Health Management System, applicable to different company operations. Major programs are mainly focused on health prevention and promotion to achieve the goal of a healthy workforce in a safe and healthy working environment. At the end of 2008, Saipem's health service had 370 health professionals working on different projects, with more than 20 health managers and coordinators supervising the system to assure that established policies, standards and procedures are followed by business teams worldwide.

In 2008, Saipem conducted a series of programs to promote and protect employees' health.

■ e-Health System

e-Health is an electronic system which enables people and communities working in the area of health to exchange information, improving local, regional and global health care systems by using information and communication technology.

Saipem has developed a health portal through its intranet QHSE website, which is accessible to employees and health personnel. Detailed health-related information such as standard medical documentation, training programs, annual reports, health software manuals and news and updates from the Saipem Medical Journal are available to all health personnel.

Diseases of the cardiovascular system remain the leading cause of Saipem employees being repatriated to their home countries in last five years. Several initiatives have been implemented to address this issue. A 'tele-cardiology' program is in place to enable employees to contact health professionals remotely and provide data using communications networks. As well as a major training program on these diseases, a specific information campaign called the Cardiovascular Disease Prevention Campaign, was launched in 2008 with a dedicated website covering all issues related to heart diseases and their prevention. All Saipem operating companies were encouraged to adapt this program to their needs and publish it on their own local portal.

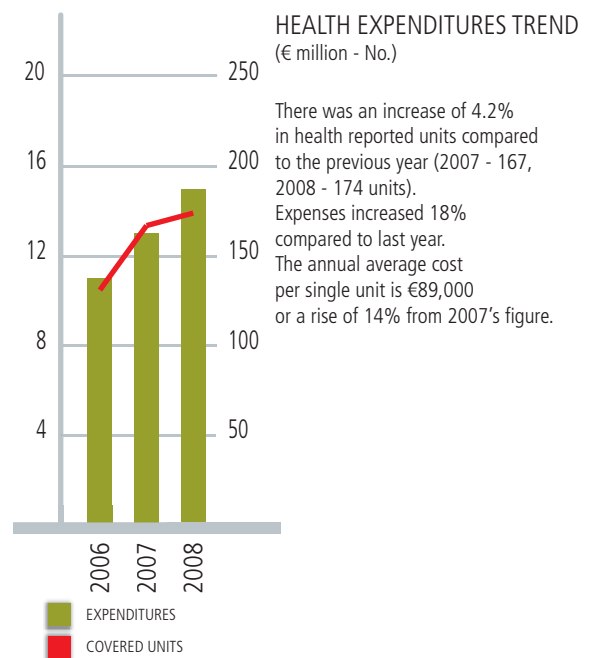
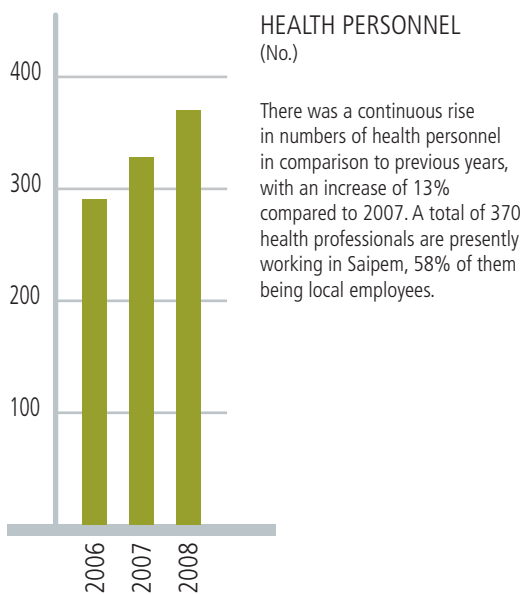


HEALTH ASSISTANCE,
EVERYWHERE

Another e-Health related campaign established in 2008 was the GIPSI e-Learning course, a mandatory training course for all Saipem health personnel. This consisted of eleven different lectures that provided health personnel with in-depth knowledge of how to work and manage the GIPSI program, the first Saipem e-Health program. To evaluate their skills, all attendees are required to pass a final examination. A total of 140 health professionals were enrolled on this e-Learning course in 2008.

■ Cardiovascular Risk Factor Assessment Program

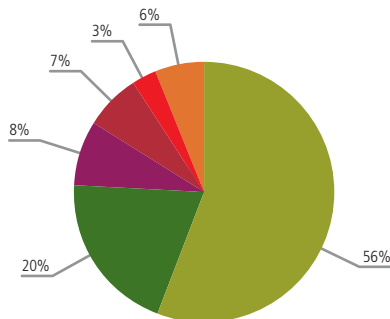
Started two years ago, in response to an increased number of repatriations due to cardiovascular diseases, this program is now implemented globally with the active participation of different Saipem companies such as Saipem SpA - Italy, Saipem sa - France, SMS - Croatia,



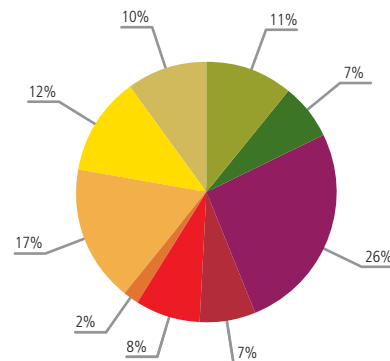
PROACTIVE HPI					
No.	Description of the indicator		Target minimum	Target expected	Results 2008
1	Percentage of employees with valid medical fitness examination	A) Expatriates B) Locals	95% 92%	96% 95%	98% 94%
2	Percentage of expatriates vaccinated against diseases considered to be risk factors in the working geographical region		80%	85%	89%
3	Medical personnel who attended Advanced Trauma Life Support (ATLS) and/or Advanced Cardiac Life Support (ACLS) training courses		75%	90%	75%
4	MEDEVAC (Medical Evacuation) drills conducted at operating sites/projects		85%	95%	99%
5	Number of employees who attended the first aid training program		5%	15%	17%
REACTIVE HPI					
6	Frequency of cases of repatriation for health reasons from Saipem's operating sites		<1.55	<1.24	1.07
CORPORATE INDICATORS					
7	Issuing News & Updates		100%	100%	100%
8	Health audits		70%	90%	72%
9	Development of health prevention, promotion and protection programs to diminish 15% incidence of repatriations due to cardiovascular diseases		<10%	<15%	36%
10	Development of web/intranet based prevention program		75%	100%	100%

HEALTH EXPENDITURES (%)

A total of €15.4 million was spent on health in 2008. The salary of health personnel covered 56% of the entire cost (€8.59 million). Occupational Health Programs ranked 2nd, with expenses of €3.03 million. This represents preventive activities such as vaccinations and fitness examinations. Having invested and focused on health prevention and promotion, medicines and medical treatments, expenses remain low, with expenses of €1.24 million and €1.09 million respectively. Projects and offices located in Americas top the expenses (€4.02 million) followed by West Africa (€2.62 million).



EXPENDITURES BY GEOGRAPHICAL AREA



- PERSONNEL
- OCCUPATIONAL HEALTH PROGRAM
- MEDICINES
- ITALY
- REST OF EUROPE
- AMERICAS
- MEDICAL TREATMENT
- MEDICAL INFRASTRUCTURES
- OTHER
- SAUDI ARABIA
- REST OF ASIA
- NORTH AFRICA
- WEST AFRICA
- RUSSIA
- OFFSHORE FLEET

Saipem Misr - Egypt and Saipem in Kazakhstan. The extension of the program's application to other companies and projects within the Group will be implemented in the next years. The program includes information campaigns, identification of high-risk employees, counselling, planning and provision of preventive programs to volunteering high-risk employees to minimise incidences of these diseases.

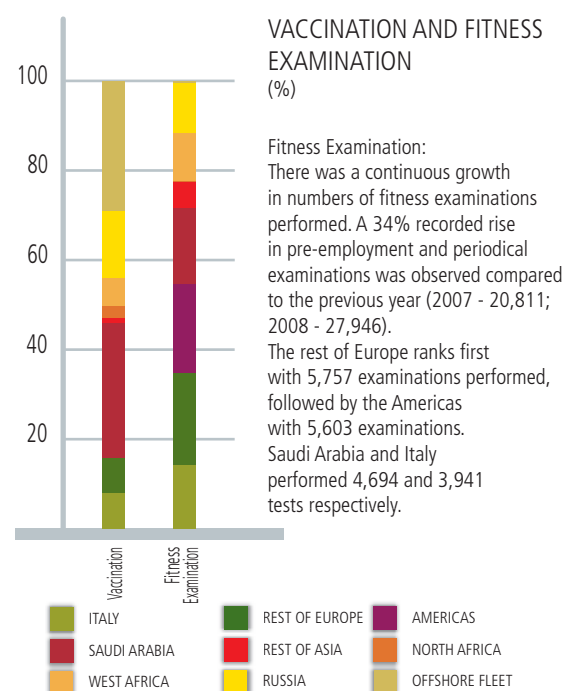
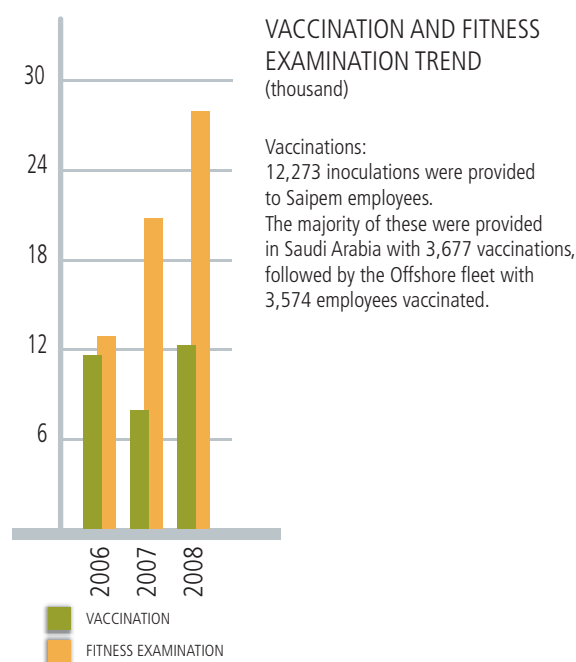
Flu Vaccination Program

Saipem has been vaccinating its employees against flu since the outbreak of SARS and Avian Flu few years ago. Following that commitment, a massive vaccination campaign was carried out in all Saipem sites in 2008. A particular focus was given to offshore vessels due to the increased risk of flu contamination because

of their confined space. In 2008, 7,230 employees were inoculated, both Saipem and subcontractors' employees.

Stop Smoking Campaign

Smoking is one of the biggest public health problems today and one of the leading causes of death in the world. However it is also a problem that can be corrected with proper intervention and educational measures. According to the World Health Organisation figures, smoking is responsible for approximately five million deaths worldwide every year. In response to this, Saipem committed itself to promote Stopping smoking to all Saipem Group employees. The Company developed different anti-smoking schemes to convey the health impact of smoking to individuals and eventually



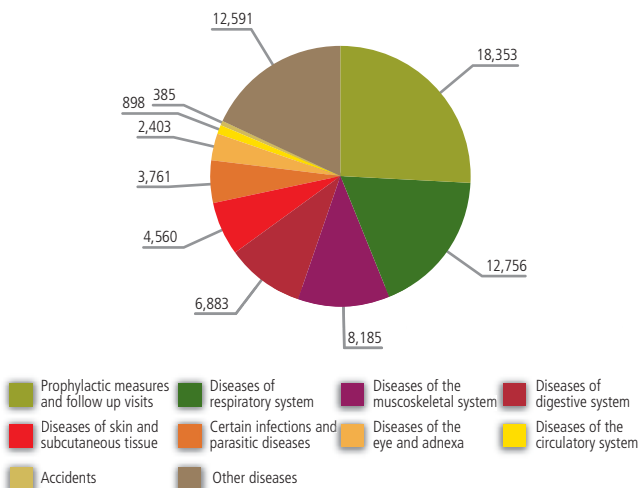
encourage smokers to quit this habit. This involves information campaign presented to employees as a form of training. Anti-smoking posters have been displayed in strategic places, particularly in recreation areas, and smoking related video clips and leaflets have been distributed and posted in Saipem QHSE portal. Based on Corporate guidelines, Saipem Mediterranean Services Ltd (SMS) developed its own program on prevention and reduction of smoking. The questionnaire was sent to all 288 employees via email, 81 of them responded. Of these, 35 were smokers and 27 of them intended to quit smoking, but only 9 participated in the program. After three months of group psychotherapy, counselling and nicotine replacement therapy, five participants successfully completed the course and finally quit after years of smoking.

Repatriation Cases

The incidence of repatriation is strictly monitored and followed by Saipem’s health service. In comparison to 2007, there was an increase of 13% of repatriation cases. A total of 148 medical and accident cases, including both Saipem’s employees and non employees, was brought to the attention of Saipem’s health service requiring employees’ repatriation to their country of origin. Of these, 98 were repatriated due to sickness, while 50 as a consequence of accidents. Of all these cases, 20 resulted in deaths of Saipem’s employees. The total of Saipem employees repatriated was 125, fatalities included.

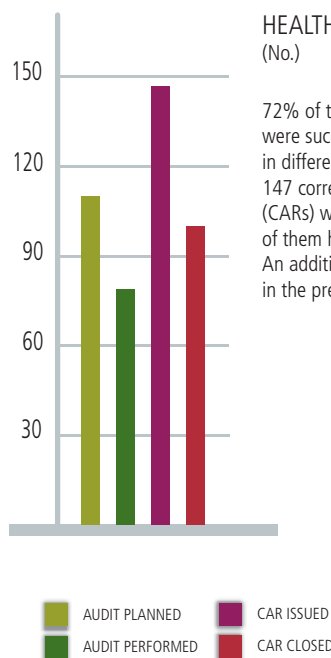
SICKNESS AND ACCIDENT INCIDENCE (No.)

The leading cases registered were prophylactic measures and follow up treatment with 18,353 recorded cases, followed by diseases of the respiratory system with 12,756 cases and diseases of the musculoskeletal system with 8,185. Accidents recorded totalled 385 cases, including both work and non-work related cases.



HEALTH AUDIT 2008 (No.)

72% of the planned audits were successfully executed in different operating units, 147 corrective action requests (CARs) were issued and 100 of them have already been closed. An additional 46 CARs issued in the previous year were also closed.



CERTIFICATION IN NIGERIA

The following text retraces the steps made by Saipem Contracting Nigeria Ltd (SCNL) to obtain the OHSAS 18001/ISO 14001 certification.

The period between 2006 and the certification date witnessed a series of activities towards certification.

This included review, among others, of the HSE documents system, Auditing system, Risk Assessments and Incident management system. Before the final involvement of a Third Party Accreditation Organisation, the HSE department had carried out a Self Assessment Audit where it was agreed that the company has reasonably met the requirements of the two standards. However, as well as the significance of this achievement being yet to sink into the consciousness of all personnel, the achievement itself throws up another tough challenge before SCNL.

The OHSAS 18001/ISO 14001 Certification on its own is not an end in itself, but simply a credible acknowledgement of the existence of a structured and result oriented approach towards HSE Management.

Without corresponding improvement in HSE Performance and eventual elimination of incidents in the workplace, an OHSAS 18001/ISO 14001 certification will serve no useful purpose.

Hence SCNL Management and personnel now face the challenge of living up to the status of an OHSAS 18001/ISO 14001 certified company – a status which literally means continual improvement, reduction and eventual elimination of incidents, a positive step change in HSE culture and a culture of care for one another and the environment. We believe SCNL is ready to meet this challenge. The OHSAS 18001/ISO 14001 are but a boost towards the attainment of our ultimate goal of zero Incidents in our work environments.

Milorad Prso

QHSE Manager Saipem Contracting Nigeria Ltd

Safety

This chapter reviews Saipem's safety performance in the year 2008. It includes a focus on the Leadership in Safety program and also the description of tragic accident that occurred in September on board the Saipem 7000.

■ Safety performance

In 2008, Saipem suffered eight fatalities. Five Saipem employees and three subcontractors' employees lost their lives while working on Saipem projects. These tragic accidents re-emphasize the need for constant vigilance in seeking to ensure the safety of all people involved in Saipem's activities. The fatal accident frequency rate was 2.83, 29% less than the 2007 figure of 4.00. However despite the decrease in the trend of fatal accidents, this trend does not yet reflect the goal of 'zero fatal accidents'.

The safety statistical data gathered from all Saipem projects illustrates that the total number accidents resulting in personnel injuries is decreasing.

The Lost Time Injury Frequency Rate and the Total Recordable Frequency Rate had a positive trend compared to previous years. Saipem's LTI frequency rate of 0.5 improved compared with 2007's rate of 0.71. The established target for 2008 was achieved. The actual value of LTI frequency rate improved compared to the target of 0.6. The Total Recordable Frequency rate in 2008 was 1.55. This value represented an improvement compared to the 2007 result of 2.33 and the established target for 2008 of 1.97 was achieved. The trend of TRI frequency rate improved compared to the target.

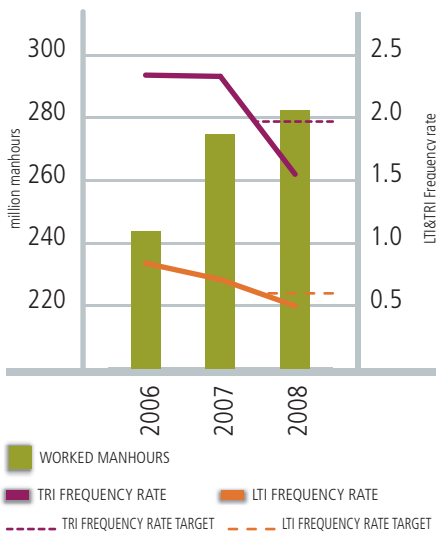
Results for the past two years have been the best ever. These achievements are the result of the implementation of an effective and efficient HSE Management system, together with enhancement of



SAFETY SUPERVISION IN TAD INVESTMENT PROJECT IN DOUALA, CAMEROON

Leadership in Safety skills among Saipem companies and project management.

SAFETY PERFORMANCE (SAIPEM PERSONNEL AND SUBCONTRACTORS)



Methodological note:
In 2008 a change was made in safety performance data consolidation compared to the past periods. This change referred to the data in respect of projects where Saipem is present only in the capacity of supervisor of the activities as per the contract with client, with projects developed in clients' premises. From 2008, for these projects the clients' contractor personnel are not counted in Saipem safety performance, even if the data are still collected for information and assessment of these particular subcontractors.

The leading indicators presented in the table below show the growing participation of Saipem's Operating companies in the implementation and measurement of the HSE Management system. Among all of these, three leading indicators are particularly scrutinised and carefully analysed. These indicators are: HSE training hours, Tool Box talks and Job Safety Analysis. The reason for giving so much emphasis to these indicators is that when an accident occurs, one of these indicators is usually mentioned among the causal factors as an HSE management system failure. Therefore the analysed safety statistical data shows that continuing efforts are being made by the Saipem operating companies for the efficient implementation of the HSE management system in order to achieve the established performance targets.

SAFETY STATISTICAL DATA			
Year	2006	2007	2008
Safety Hazard Observation Cards	224,114	154,620	195,327
Tool Box Talks	225,965	264,859	400,374
HSE Meetings	25,859	29,502	32,135
Job Safety Analysis	106,020	154,816	200,308
HSE Training Hours	668,014	791,322	1,074,231
HSE Inspections	69,333	100,205	123,853

SAIPEM 7000 - THE ACCIDENT, INVESTIGATION AND FOLLOW UP ACTIONS

On September 17, 2008 Saipem experienced the most tragic event in its history. The tragic accident occurred on Saipem 7000 during the operations for the laying of the Medgaz Trans-Mediterranean pipeline in international waters between Algeria and Spain. A system failure in the hydraulic pipe handling system of the J-Lay Tower (JLT) caused two quadruple joints (QJ) being handled simultaneously in two different areas of the tower to drop suddenly. Each QJ pipe was a 24' x 50 m long, weighting approximately 20 tonnes. One of the two quadruple joints dropped from the pipe transfer system inside the tower, landing on the pipe alignment area (upper welding deck), falling approximately one metre and causing neither injuries nor damages. The second quadruple joint was retained by the pipe elevator stationing at the top of the J-Lay Tower and was in the process of being handed over to the pipe transfer system. The pipe fell outside the tower crashing through the walkway at the lower section of the tower. It stopped at the bottom structure of the JLT. Several crewmen were present on the walkway. Eight people were affected by the accident. Four were fatally injured, two seriously injured and two slightly injured.

This tragic event was immediately dealt by the Top Management of Saipem in order to ensure that the necessary support was provided to families of personnel involved, that operations were completed and finally that a proper and complete review of J-Lay Tower concepts was undertaken.

IMMEDIATE ACTIONS TAKEN AFTER THE ACCIDENT

The ship's emergency plans immediately went into operation. The J-Lay Tower was evacuated and the injured personnel were assisted by the First Aid team, led by the doctor from the vessel's hospital. After this first assistance, the injured persons were sent onshore, to Almeria, for treatment in the medical centre.

Saipem's Top Management went immediately to the site of the accident to give assistance and support to the crew. On this occasion, through a speech held on board the vessel Saipem's Management and the Master expressed their deepest sorrow for the losses, and they addressed special thanks to the crew for the efforts during and after the accident.

As per the accident investigation standard, a team was nominated to investigate the causes of the tragic event and to put the unit on safety condition.

CAUSES OF THE ACCIDENT

The first primary cause identified was that the sudden release of the 2 quadruple joints was caused by a failure in conceptual design of the control system software. In fact the program relevant to the JLT initialising instruction was pre-loaded in the EPROM (Erasable Programmable Read Only Memory) memory of the PLC4 (Programmable Logic Controller) with the instruction to open all clamps.

The second primary cause was the presence of working personnel on the access platform during the J-lay operations against Saipem 7000 Procedure 'Lifting Operations S7000-PRO-HSE-06.E'.

ACTIONS PERFORMED TO RESTART THE OPERATION IN SAFE CONDITIONS

In order to put the vessel into a safe condition and subsequently restart the operations, a series of actions were taken which covered mechanical, operational and procedural items.

'This is the most serious work-related accident in our memory. In its immediate aftermath, there were many acts of bravery and resourcefulness on board of S7000 itself, which avoided even greater tragedy.'

'It may appear unfair that the accident occurred at a time when we have been making our most sincere, concerted, and profound effort to date, to take better care of our people through the Leadership in Safety Program. However its occurrence is an inescapable fact and sobering reminder that we have a long way to go.'

'Occasionally we are called upon to show our true value in times of serious adversity. Previously, we have shown a remarkable ability to learn and to recover from our misfortunes, so that if anything, we become safer and stronger than before. This unfortunately is also a part of what it takes to be a great contractor. I am also convinced that the Leadership in Safety Program that commenced last year-and which seems to have been yielding positive results through the company – is now more urgent than ever, and I ask to all employees to renew the efforts towards its implementation.'

Fragment from the message addressed by the CEO - Pietro Franco Tali to all employees following the most serious accident occurred in Saipem history.

The first primary cause has been resolved with the definitive removal of the EPROM memories from the system. The second primary cause has been addressed by a re-assessment of the risk and the establishment of new work procedures stressing the assumption that Pipe Handling shall be treated as 'Work under suspended load' as per Saipem Procedure 'Lifting Operations S7000-PRO-HSE.06'.

Pipe handling activities have been revised through a dropped object analysis in order to identify mechanical and electrical barriers, additional controls, and new set of operational procedures.

The measures implemented include:

- Electrical Blockage: a number of opening operations have been inhibited by adding Electrical circuit breakers.
- Mechanical protections: different systems have been implemented to prevent a vertical pipe drop in any section of the JLT, to restrain lateral pipe movement and fall, and to secure the pipe until the internal line-up is completed in the upper welding station.
- PA system - an additional PA system has been installed, to be activated during Quadruple Joint loader lift, as well as audible and visible alarms for Elevator movements.

The updated Operational procedures related to J-Lay Tower operations include: 'Safety and Transit Rules during J-lay System Operations', 'J-lay Tower Operators Working Instruction', 'J-lay System Welding Station Line Up Activities'.

LONG-TERM ACTIONS WHICH ARE EXTENDED TO THE FLEET

Saipem is developing a set of Guidelines for Integrated and Complex Systems to analyse the current technologies used and to identify if alternative technologies can be implemented.

Saipem has put in place a training program to develop the competency of all personnel in using new technologies and make them aware of the new operational procedures.

Particular attention has been given to the development and improvement of the safety culture among personnel working on board through the 'Leadership in Safety' program.

Saipem Leadership in Safety



WHY DID SAIPEM FEEL THE NEED FOR LEADERSHIP IN SAFETY?

Despite the fact that Saipem had good safety performance, it was recognised that people had been injured or worse whilst working for Saipem, and this was morally unacceptable. Our CEO was the one who drove this message, with the thought that some people have the wrong impression that Saipem expects its people to put their life at risk in order to save time or money. This is simply not what is expected, and our CEO wanted to clarify this. We also know that 90% of our accidents are behaviourally related, so we have to target these behaviours if we want to achieve the right culture...

A culture through which working safely becomes a constant; working unsafely becomes unforgivable.

HOW TO ACHIEVE THE RIGHT CULTURE?

Saipem believes that it is possible to instil this culture through effective safety leadership, as it is our leaders who build and shape the culture we have, through their everyday messages, decisions, actions, and inactions! Therefore Saipem set up a task force with the aim to create a Leadership in Safety program tailored to our own operating realities and challenges and targeting the leaders who have impact on the culture of our organisation. Saipem researched Leadership in Safety and developed internally its own program. A program to touch minds, but hit the heart! As part of this program, a workshop was designed and disseminated with a top-down strategy throughout all organisation. The first LIS workshops began to the senior levels of Saipem and were held in Milan with the Business Units directors and managers. They then became sponsors in their own geographical areas, requesting and opening each workshop. And the process continues, globally, through every level of management, driving, sponsoring, empowering and supporting the next level. In 2008 over 180 workshops were organised with around 3,000 participants. The workshops are delivered by the pool of 20 Saipem HSE Professionals, who Saipem developed internally as LIS Workshop Facilitators.

MAIN FEATURES OF SAIPEM LEADERSHIP IN SAFETY WORKSHOP

Saipem Safety Vision

The Saipem safety vision was born when the CEO called his most senior leaders to Milan to develop a vision for Saipem's safe future. It was designed to be a vision specific to Saipem, and for everyone to embrace, a target for us all to work towards. A vision of a multicultural and frontier company where we are winners through a passion for safety.

Safety Leadership Expectations

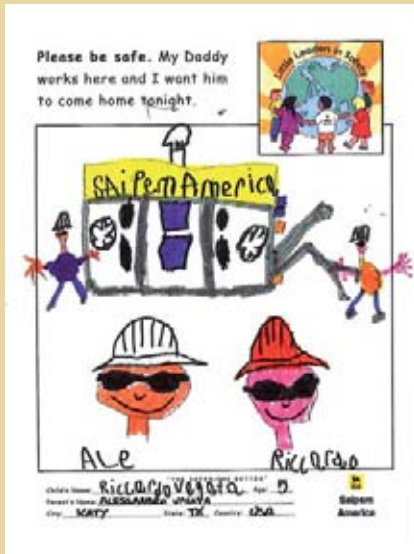
Safety leadership expectations are the backbone of safety leadership in Saipem. A set of competencies, what Saipem expects of its managers and leaders. Developed through Internal research, there are 7 main areas of expectation. Each area has sub elements, totaling 69 specific actions, activities and behaviours, defining what is expected of a mature safety leader in Saipem today.

THE AWARDS

Saipem Leadership in Safety was internationally recognised with the following awards in 2008:

- Du Pont Safety Award for Cultural Evolution;
- International Visual Commutation Association Silver Award for the Film 'The Safer, The Better' - Best Practical Training;
- International Visual Commutation Association Bronze Award for the Film 'The Safer, The Better' - Best Script;
- New York Film and Video Awards, Silver World Medal for Best Director Worldwide;
- New York Film and Video Awards, Bronze World Medal for best Industrial Film;
- Rome International Short-film Festivals, Best Industrial Film for Safe Work.

FOCUS ON FAMILY VALUES



Following the implementation of Leadership in Safety workshop, two areas took a very clear 'Family Values' approach to complement the process. Saipem America initiated a 'Little Leaders in Safety' poster campaign, where each employee within the organisation was involved by having their child or grandchild, submit a drawing for the poster campaign. The drawings depicted what 'safety means to them' by having their family members come home healthy and uninjured. All children who submitted pictures were winners, as they truly made a difference in the way we think about safety, and all were invited to a Little Leaders in Safety party, with a chance to show off their own poster displayed around the office. Kazakhstan (D-Island) took a similar approach, inviting family members to the LiS dissemination process in addition to the employee, involving the employee and their loved ones in committing emotionally to safety, and connecting intrinsic values and family life to their everyday working life.

Safety Leadership Profiler

The profiler is an online questionnaire which provides individuals with personal feedback on their distribution of focus over the seven safety leadership expectations. Each question forces a choice of preferences, to give a trend of focus represented in the report. It allows individuals to develop personal action plans, targeting areas of improvement for the future.

Five Stars - Safety Intervention Tool

Saipem has created a simple 5 step tool to help our employees intervene effectively without creating conflict both on unsafe acts and to reinforce safe behaviours. It is a tool which is to be disseminated throughout the organisation.

The Film - The Safer, The Better

The LiS Workshop interactive learning session is prompted by scenes from the LiS film that is an Interactive tool with strong messages from the CEO to the target audience. It reflects Saipem people, operating environments, and the story is engaging and heart hitting.

THE LEADERSHIP IN SAFETY PROCESS

Saipem Leadership in Safety has been strategically developed from a corporate level to disseminate through the entire organisation. The program was initiated from the very top, with Saipem's CEO and Managing Director playing the role of catalysts for the project, as they personally recognised the need for a cultural change. The CEO gained commitment for the project from his most senior management levels through a one day event held in Milan, when the Saipem Safety Vision was created. A clearly defined top down approach enables each level of management to become safety ambassadors sponsoring the next levels, in order to touch every manager within the organisation, by delivering key messages down to every employee. This is done in three distinct phases.

Phase 1 - Delivery of Leadership in Safety workshop to all management levels.

Phase 2 - Senior Managers cascading the key Leadership in Safety messages to the workforce through high influential events.

Phase 3 - Delivery of the Five Stars Intervention training tool to all workforce.

WORKING ON SAFETY WITH OUR SUBCONTRACTORS

In 2008 the Corporate SAFET unit has organised a series of meetings with the Italian subcontractors involved in different activities at the Italian sites of Cortemaggiore (PC) and Ravenna, with the following scope:

- *Making the audience aware of the different health and safety issues that they face daily in carrying out their activities working with Saipem;*
- *Presenting and explaining Saipem's HSE requirements;*
- *Giving an overview of new activities introduced further to the enforcement of the new law concerning safety on the work places (named 'Testo Unico').*

These meetings, organised at the Saipem's offices in San Donato Milanese, have involved 21 companies, whose activities range from environment services to carrying out different harbour activities.

These companies have been collaborating with Saipem for a long time, undertaking different activities, both onshore and offshore, and general maintenance activities on the Saipem bases.

The results have been very positive. The initiative was an opportunity to reinforce a very positive dialogue and to share targets and working methods.

How Saipem manages the Asbestos Containing Materials

According to Saipem's strategy, Asbestos Containing Materials (ACM) have always been monitored in order to preserve and guarantee the safety and health of all personnel onboard (both operational and not) against every possible risk that may come from those substances. This strategy, implemented by applying national and international laws and defining more conservative limits, has led to the definition and implementation of a survey and training plan for all of Saipem's fleet, including these elements:

- Collection of samples in every space of the vessel;
- Analysis of the air in order to identify asbestos airborne fibres;
- Assessment of the ACM present onboard;
- Training for all the personnel for awareness improvement.

Saipem's commitment to action in this area has led to the definition of a specific internal standard called

'Saipem HSE Requirements for ACM removal contractors'.

This defines all of the criteria for health, safety and environment requirements to be applied from the first phase of shipyard site selection to the final disposal of asbestos wastes to an authorised site. Saipem requires this standard to be applied by subcontractors when ACM removal is necessary.

Compliance with this standard is assured through the execution of a number of audits, organised by Saipem's Corporate SAFET - Industrial Hygiene Department, involving all subcontractors involved in ACM removal operations.

A concrete example of the application of this Saipem standard was the case of 'FPSO Firenze'. This ship was built during the 1980s and in the first half of 2007 this vessel, after a long and intense operative life, terminated its offshore activities.

Like all ships of its time, FPSO Firenze contained a considerable quantity of asbestos, which was mapped

and kept under control by Saipem during the whole operative life of the ship. This information was important during the dismantling and demolition operations. After selling the vessel, Saipem decided to stand over the operations for vessel demolition and a proper ACM dismantling.

After a preventive assessment of a suitable shipyard that included also technical audits performed by SAFET - Industrial Hygiene Department, the site of Aliaga (Turkey) was selected for the clearing and transformation operations for the ship.



The most critical aspect during the works was the protection of the personnel in charge of the demolition operations and the personnel involved in the following scrap operations.

According to its standard, Saipem clearly specified to the subcontractors all the contractual clauses that required the implementation of a specific action plan based on these steps:

- **Checking and updating** of the existing asbestos map for those areas that were inaccessible and new sampling of the materials that could possibly contain asbestos.
 - **Delimitation** of the areas to be reclaimed and cleared.
 - **Monitoring** of the air at the beginning of the work and during and after the removal activities, in compliance with the limits forecast for the airborne fibres.
 - **Traceability** of the asbestos containing material waste to keep all the phases of the disposal under control: from the removal places, to the temporary storage and the dump site.
 - **Certification** of all the 'characters' involved in the clearing activities, including workers, analysis laboratories, waste carriers and the dump site.
 - **Utilisation** of the best technology available for ACM removal activities.
- Indicators of Saipem's work on the FPSO Firenze project include:
- 220 working days completed for decommissioning activities, of which 110 were for ACM removal;
 - 60 workers involved;
 - 43 tonnes of ACM removed and disposed in authorised sites;
 - 0 injuries and 0 Corrective Action Requests registered.
- **Application** of national and international laws as far as health and safety related to ACM are concerned (including Saipem HSE requirements for ACM removal contractors).



Assets

Saipem's Assets are one of its key sources of competitive advantage. They can be grouped into:

- Offshore construction Vessels, including:
 - Offshore Drilling Rigs;
 - FPSO (Floating Production Storage Offloading);
- Onshore Drilling Rigs;
- Yards and mobile equipments.

Activities on assets are focused on several areas to improve their management and reduce their impact on the environment.

Focus on emission monitoring and compliance with laws

To reduce its impact on the environment, Saipem has launched a monitoring and reporting system for emissions from the construction fleet.

Roll out began in 2007 with a pilot project involving the pipelaying vessel Castoro Sei to monitor its main pollution sources, such as boilers and diesel generators, with a special focus on greenhouse gas (GHG) pollution levels.

The vessel's engine running hours are reported weekly and emissions of CO₂, SO_x, NO_x produced by the vessel are monitored and evaluated.

The long-term goal of this monitoring is to provide an overview of the environmental impact of Saipem's fleet and to evaluate options for upgrading in terms of reduction of energy consumption.

Noise pollution is also an area of concern in which Saipem is seeking improvement. Castoro Sei was also involved in a noise pollution monitoring campaign, both in stand-by and operating conditions.

Monitoring was carried out during the execution of the Medgaz project, an EPIC project for the construction of a pipeline used to link Algerian-European gas pipelines via

Spain and related stand by in Almeria.

To simulate noise impacts at different distances from the vessel, a specific mathematical model was developed to reproduce acoustic sources and dispersion.

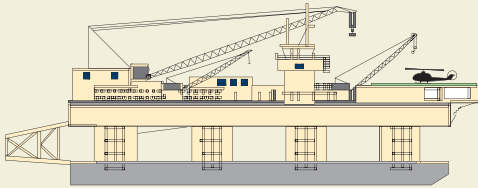
Saipem's goal is also to be in full compliance with existing and near future regulations, standards and best practice for the new vessels, applying the latest HSE design guidelines and clean classification rules.

The focus on pollution reduction is common to all Asset areas, not only offshore activities. For example, investments were made on Saipem's onshore drilling rigs in order to replace old engine units with new ones that have low emissions. The replacement began in 2007 and in 2008 it was carried out on 8 rigs with 37 engines being replaced.

Asset Management Tools

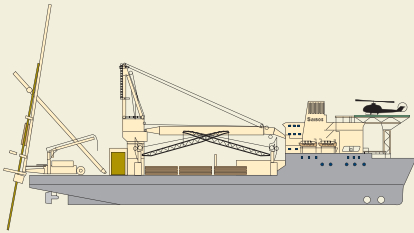
Saipem is constantly focused on maintaining and improving its fleet to achieve the highest possible efficiency level. A maintenance system based on an integrated SAP/AMOS customised platform has been adopted. System's architecture has a central server, which collects all relevant information. The server is synchronised with each vessel and processes the information received using the company management software, SAP. AMOS also provides the link between fleet and the asset management offices. It is the strategic tool for planned and unplanned maintenance and warehouse management, as well as for office-based monitoring of maintenance performed on board. In addition, a single centralised maintenance management system allows uniform application of standards and Company directives. AMOS has been approved by all Majority Class Societies, and is accepted by the Classification Societies as a tool

Construction vessels examples



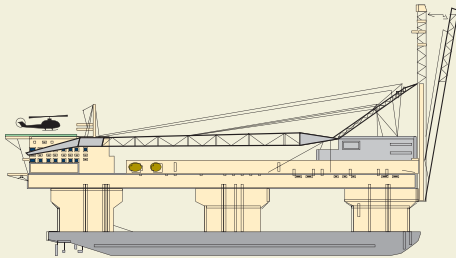
Semac 1

A third-generation semi-submersible pipelaying barge, using the S-Lay pipe installation method, which takes its name from the suspended shape of the pipe at the end of the barge, which lays in a gentle 'S' from the stinger to the seabed.



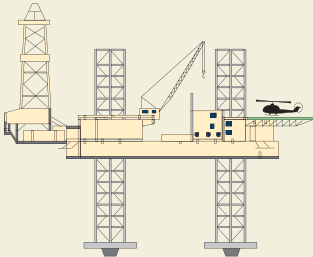
Saipem FDS

Multi-purpose monohull dynamically positioned (DP) crane and pipelaying (J-lay) vessel. In the J-Lay method the suspended shape of the pipe forms a 'J' going from the surface of the vessel to the seabed. In deeper water, S-lay is not feasible and J-lay is common. The Dynamic Positioning is a system which automatically controls a vessel's position and heading exclusively by means of active thrust.



Saipem 7000

Semi-submersible crane and pipelaying (J-lay) DP vessel, encompassing pipelaying in water depths greater than 2,000 metres and heavy lift operations up to 14,000 tonnes. The Saipem 7000 retains the heaviest lifting record of 12,150 tonnes for the Sabratha deck in the Mediterranean Sea and the pipelay of two 24' diameter sealines across the Black Sea, for the Blue Stream project, at the record depth of 2,150 metres.

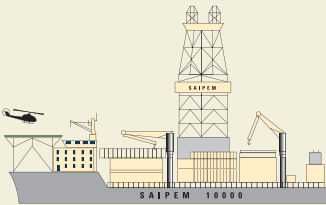


Drilling vessels examples

Jack-up - Perro Negros

Self elevating drilling platform (Jack-up). Saipem owns four jack-ups.

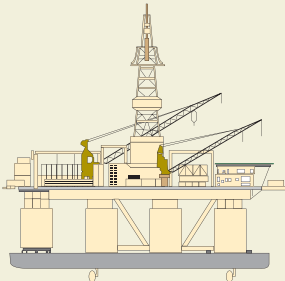
The jack-up is the most popular design in mobile offshore drilling units. The jack ups provide a very stable drilling platform, since part of their structure is in firm contact with the bottom of the ocean. Moreover, they can easily moved from one location to another.



Drill ship - Saipem 10000

Ultra deep water drillship, self propelled, equipped with EWT (Extended Well Testing).

A drillship is a floating rig, that has a drilling derrick, a tall, towerlike structure necessary for any drilling operation. It has a ship-shaped hull that allows to store supplies and equipment on board the vessel.



Semi-submersible - Scarabeos

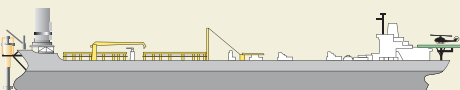
Semi-submersible drilling platform self propelled. Saipem owns five semi-submersible.

A semi-submersible is the second type of floating drilling units. It is a very stable rig, as the its submerged prevent it being as susceptible as a surface unit to wave motion, particularly rolling and pitching.

FPSO fleet examples

Floating Production Storage and Offloading (FPSO) - FPSO Mystras

FPSO units are part of Saipem's Offshore Construction line of products, both as newbuilts delivered turnkey to the customer, and as tanker conversions leased to and operated for the customer. An FPSO is a type of floating tank system that processes the fluids received from the well by separating oil, water, and gas, and storing and offloading crude oil.



for evidence of performance of a planned maintenance system.

Significant initiatives are ongoing to improve the effectiveness and coverage of the maintenance processes, such as the new Asset Document Management System and Mobile Maintenance Solution.

The Asset Document Management System is the electronic platform for technical documentation that will provide a digital archive and management tool for all drawings, specifications and other documents, both on board and in the offices.

The information on each vessel's database is stored in a synchronised central server and application, but always accessible on board through a dedicated user interface.

Saipem 10000 and Saipem 3000 were the prototypes for the new platform. In 2009 Saipem is planning to gradually roll out the new solution on its fleet and to finalise the on-board software/hardware solution. A Mobile Maintenance Solution was also developed in 2008 to allow maintenance personnel in Saipem yards to access maintenance data through a PDA (Personal Digital Assistant) or smartphone device.

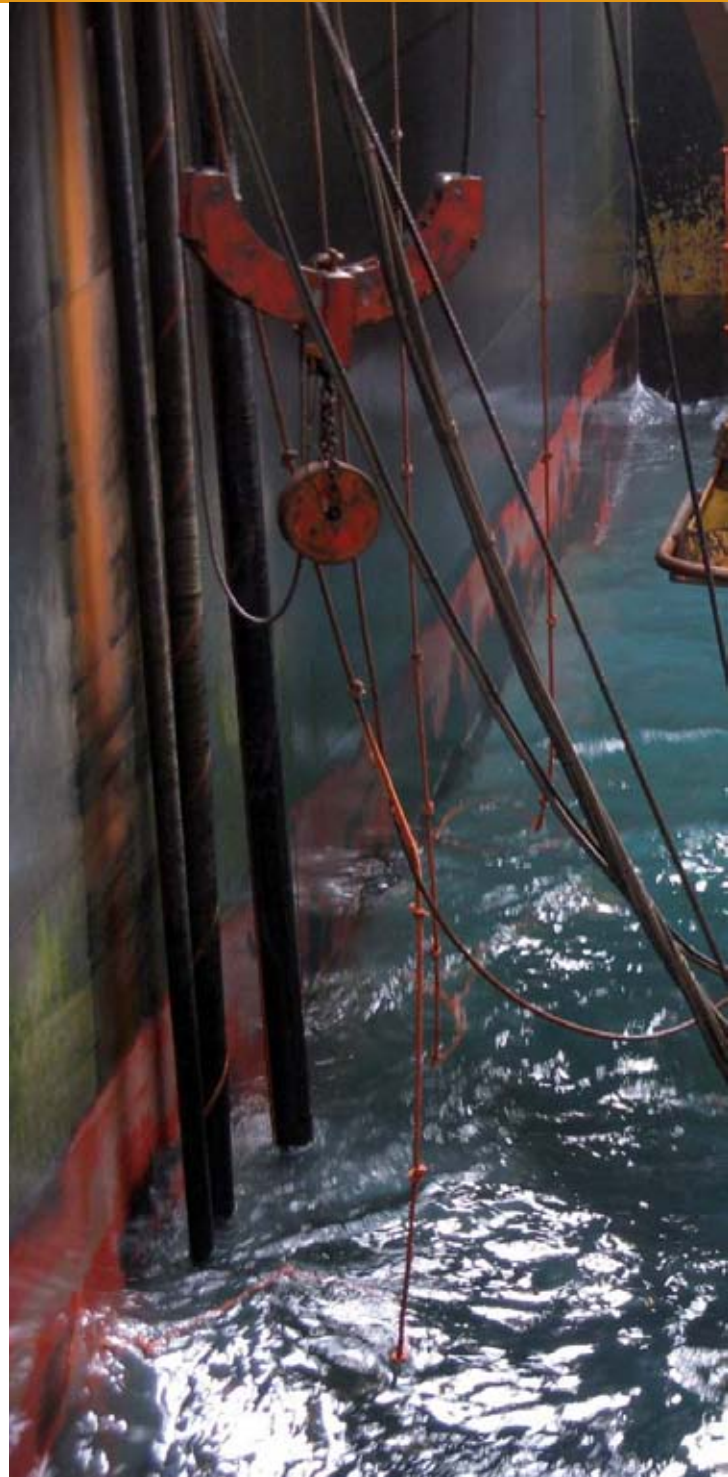
Innovation on Saipem Assets

The main significant activities applied to assets in terms of technological development have been in the areas of:

- Trenching in very shallow water.
- Pipeline Towing.
- Extended Acoustic Radar (EAR).

■ Trenching in very shallow water

New trenching technologies are under development to trenching operations to be feasible in very shallow water and environmentally sensitive areas. Furthermore, the



stringent requirement of a deep trench can be met while avoiding the huge soil disposal of standard trenching systems such as dredges because a 'minimised trench' shape is achieved.

■ Pipeline Towing method

A new method for the towing of pipelines has been identified designed to mitigate risks and reduce



MOONPOOL AREA OF
SAIPEM 10000

environmental impacts, including shore approach operations. The lay-out involves an array of 'air-bell' buoys, including buoys that are position-controlled in both vertical and horizontal planes. This allows the reduction of the towing force, the lay corridor – or trench – width as well as uncertainties due to allowances for pipeline construction.

■ Extended Acoustic Radar (E.A.R.)

An emergency tool has been developed to detect the position of an object which has accidentally fallen inside a pipeline during laying operations (J-Lay). The system is based on acoustic wave propagation and automatic recognition of back signals. This object position detection allows the vessel in question to decide the best approach to proceed further with operations.

Environment

Saipem's ambition is to provide services to meet the growing demand for the energy that is needed for economic and social development while at the same time caring for the environment. Saipem aims to minimise environmental impacts across the life cycle of its operations, from initial project planning and engineering

Managing environmental impacts

Working to consistent fundamental requirements and guidelines is a prerequisite for achieving credibility, both internally and externally. The clearest example of this approach is that the number of sites certified with international

Business Unit

Offshore



Impacts

- Air Emissions
- GHG
- Water Pollution/Consumption
- Waste Generation/Disposal

Mitigation Activities

- Use of fuel with Low Sulphur content
- GHGs Accounting Model
- Waste management
- Minimising Fresh Water consumption

through operations to decommissioning and remediation. Saipem is committed to improve its environmental performance through scientifically sound and practical solutions with the goal of driving incidents with real environmental impact to zero.

environmental standards ISO 14001 is growing on a yearly basis. This diagram provides an overview of Saipem's core business activities and the key environmental issues it faces. It also provides examples of some of the key steps taken to minimise impact and protect the environment at each stage.

Onshore



- Air Emissions
- GHG
- Noise
- Water Pollution/Consumption
- Soil Pollution/Erosion
- Waste Generation/Disposal
- Landscape modification

- Use of fuel with Low Sulphur content
- Waste management
- Minimising Fresh Water consumption
- Reducing impacts with environmentally efficient reinstatement methodologies

Drilling



- Air Emissions
- GHG
- Noise
- Water Pollution/Consumption
- Waste Generation/Disposal
- Landscape modification

- Use of fuel with Low Sulphur content
- Waste management
- Minimising Fresh Water consumption
- Reducing impacts with environmentally efficient reinstatement methodologies

Priority issue: Air emissions accounting

Efforts to limit greenhouse gas emissions need to be underpinned by reliable and transparent ways of measuring them. Accounting for the greenhouse gases (GHG) emissions that threaten the long-term environmental balance of the planet is now one of Saipem's highest priorities. Saipem's efforts are not confined to greenhouse gases but focus more broadly on all types of gaseous emissions that cause various types of pollution. Pollution in the immediate vicinity of the Saipem facilities, that could have negative health consequences or generate odour nuisances for employees and site neighbours, is included.

These priorities lead Saipem to direct its main efforts onto two of the key pollutants involved in these emissions: nitrogen oxides (NO_x), and sulphur dioxide (SO₂).

Atmospheric emissions are calculated on the basis of fuel consumption figures declared by Saipem production

sites, power plants and vessels using emission factors from international standards such as those of Corinair (a methodology issued by the United Nations Economic Commission), UKOOA (a methodology issued by United Kingdom Offshore Operators Association), AP42 (a methodology issued by the US Environmental Protection Agency), and IES (a methodology developed by Eni).

During 2008, the Saipem Emission Estimation Methodology Manual (Saipem EEMM), was updated and any improvements in activity data, emission factors and/or methodologies have been incorporated into the latest version of the Manual.

The following significant improvements have been incorporated into the latest version of Saipem EEMM:

- New Fuel Oil Classification: 1) Distillate Fuel Oil (ex. Diesel oil, Gasoline, Kerosene, etc.); 2) Residual Fuel Oil (ex. Heavy Fuel Oil, Light Fuel Oil).
- Updating of NO_x emission factor.
- New emission factors for shipboard incinerators.

NEW SOFTWARE FOR GHG ACCOUNTING

During 2008, Saipem introduced a new software program for accounting for greenhouse gas emissions. opsEnvironmental is an integrated system for environmental reporting, which includes modules such as opsGHG, opsAir, opsWater, and opsWaste. It records data at individual site or vessel level; monitors each individual site or vessel; improves the integrity of the data; reduces the risk of erroneous input; reduces the time to audit, verify and approve data; and reduces the time taken to report to the corporate level, communicate and distribute the data.

opsGHG is a greenhouse gas management software solution for managing all facets of corporate greenhouse gas tracking and reporting. It is currently being tested on-board the Castoro Sei vessel, which is at the moment the first Saipem ship which will develop this Eni Corporate software. Every opsE module can generate its own specific reports. Right now, opsGHG calculates emissions of CO₂, CH₄ and N₂O based on the production data inputted and it generates site specific reports.

Case study: Reinstatement methods

After more than five years of unceasing construction efforts, Saipem is now on the fast lane toward completion of the Sakhalin 2 Onshore Pipeline Project. Some of the environmental challenges that Saipem has faced in this project were related to the pipeline crossing more than 1,000 rivers and streams, many of them classified as highly sensitive. Issues requiring attention included: protecting the wild Pacific salmon spawning grounds; waste management; monitoring and protection of rare species of flora and fauna such as the Steller's Sea Eagle protection program; preserving archaeological sites; monitoring, erosion and sediment control; and technical and biological reinstatement of Rights of Way (ROW) after the completion of the construction activities.

The last phase in a pipeline construction is reinstatement, divided into Technical and Biological Reinstatement. This starts as soon as possible after construction is completed. The primary objectives of reinstatement are to:

- Return affected areas of the ROW to a pre-agreed condition as per regulatory and landowner

requirements while at the same time ensuring pipe integrity;

- Prevent erosion on the ROW and impacts associated with mobilised sediments, especially on rivers;
- Maintain pipeline integrity;
- Deliver on stakeholder commitments, for example to lenders, regulators, NGOs and others.

The reinstatement activities included reinforcements and reinstatements of many riverbanks, stabilisation of side-cuts and steep slopes, stabilisation of landslips, bio-engineering techniques, hydro-seeding and aerial seeding. They also included various top-end technologies such as stabilisation techniques using gabion walls, soil retention systems, gabion mattresses, fascines and coir-mattresses.

■ Technical Reinstatement

The main focus of Technical Reinstatement is to restore the ROW to its original condition (or as near as practicable in context of pipe integrity) in order to satisfy all commitments and requirements, including those of Russian Federation Laws and Regulatory Authorities Prescriptions.

Situation after backfilling



Situation after final reinstatement



Technical Reinstatement includes: topsoil stripping and storage; subsoil levelling after trench backfilling over the width of the ROW; subsoil profiling to return the site to its pre-existing landform and drainage pattern; return of fertile topsoil to the reinstated area after subsoil levelling and profiling; permanent erosion control measures; removal of all construction wastes and refuse including large rocks and wood debris; removal of running track; and stabilisation of watercourses, cut slopes and landslips.

■ Biological Reinstatement

The main purpose of Biological Reinstatement is to provide long-term protection of soils against surface erosion. Establishment of vegetation on the ROW also provides additional stability to erosion control structures such as slope breakers and watercourse banks, as well as promoting a return of natural soil processes. Finally a good vegetation cover reduces the visual impact of the project.

Whilst Biological Reinstatement should only commence after permanent Technical Reinstatement has been completed, temporary seeding may be undertaken on the ROW where temporary Technical Reinstatement has been completed to provide short-term protection against erosion.

Case study: protecting biodiversity

In Peru, where Saipem is working on a regasification terminal, action has been taken in various areas to preserve and protect the biodiversity of the area. Measures are being adopted to protect the rare Tiger Pacific Iguana (*Microlophus Tigris*) during the activities of the project. The staff that run the project's activities are informed about the importance of monitoring and

conserving this species. Guidelines for the program stipulate that where possible the reptiles will be relocated to places where they are not affected by the project's activities. They also state that when soil is being removed using mechanical processes or explosives, destruction of shelters used by iguanas, such as clusters of rocks and areas of cacti, will be avoided as much as possible. Roads and highways are expected to stay within the width recommended in the baseline and not affect the ecosystem around them.



Microlophus tigris

■ Seawater Monitoring in Peru (CDB Melchorita)

Environmental quality monitoring is taking place in the sea water close to the project area, which covers approximately 9,002 km², from the shore to 2 miles offshore. This monitoring is carried out on a quarterly basis throughout the construction of the marine facilities and aims to assess the quality of sea water. Readings taken for parameters such as oils and fats, dissolved oxygen, detergents, nutrients, microbiological organisms, hydrocarbons and heavy metals were found to correspond to the water quality standards required by national legislation.

■ Reed Bed Tertiary Treatment for adequate management of waste water in Peru (CDB Melchorita)

A System for Tertiary Treatment of waste water or Artificial Wetland Flow Subsurface (FS) has been installed after the plant-breather compact treatment and sludge



WORKING IN EXTREME
CONDITIONS, SAKHALIN

stages to provide an additional treatment using a vegetation bio-accumulator. This FS system allows the additional removal of BOD, COD, TSS, metals and some organic compounds from the domestic wastewater. It allows also the removal of nitrogen and phosphorus at low levels.

■ Marine Environmental Monitoring Program

In Spain, where Saipem is working on the Balearic Submarine Pipeline Project, Saipem has developed a plan to protect sea grass.

The purpose of this program is to understand and minimise impacts on the *Posidonia Oceanica* prairie

as a result of the dispersion, transport and deposition of sediments during dredging operations in the area of Dènia. Biological inventories are performed in order to determine the species' richness and diversity as well as the density of organisms found in the area. The environmental monitoring plan establishes the guidelines that must be followed to carry out on-site inspections and corresponding office work, in order to ensure that those participating in the project comply with the environmental conditions and requirements applied to the works at all times. In addition, the program aims to ensure appropriate responses are made to unexpected situations or unforeseen environmental changes in the project design.

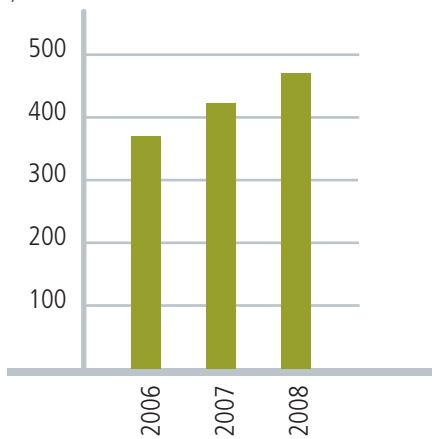
Environmental data analysis

Saipem's environmental data reporting has expanded in line with the increasing volume of activities reported world wide. In addition, Saipem's monitoring systems for gathering environmental data are also continuously improving, as operational activities are more fully covered by environmental management systems.

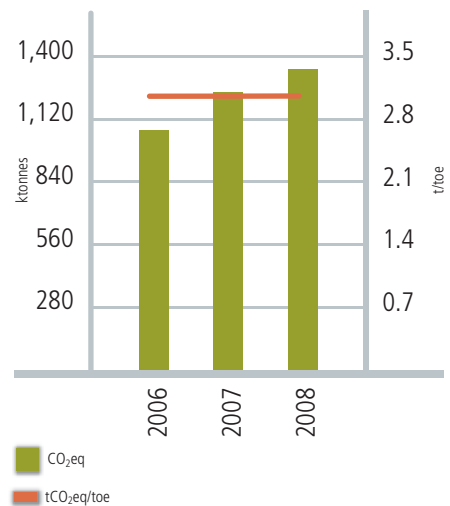
Energy consumption

Recorded energy consumption increased in 2008 compared to previous years, reflecting the expansion of operational activities. Diesel, mostly used for electric power generation, was the primary type of fuel consumed, its usage totalling 81% of the total of fuel consumed.

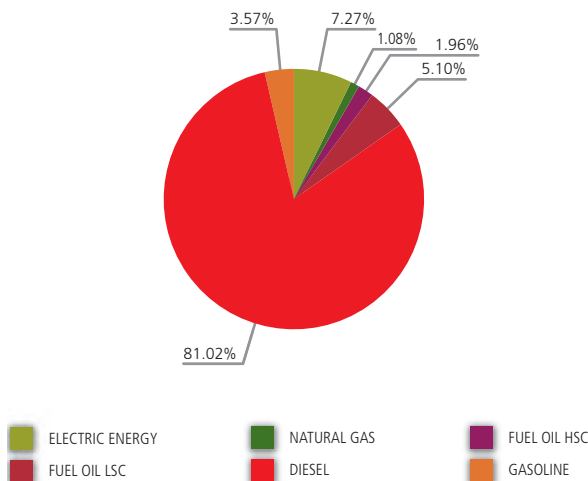
ENERGY ACCOUNT
(ktoe)



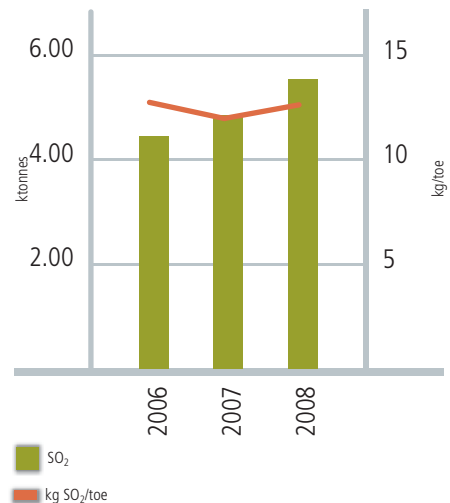
GHG EMISSIONS



2008 ENERGY SOURCES
(%)



SO₂ EMISSIONS



Air Emissions

In 2008 all emission factors were reviewed to ensure that Saipem is aligned with international standards and that all relevant activities are taken into account.

As a result, data presented into the charts below has been revised for previous years.

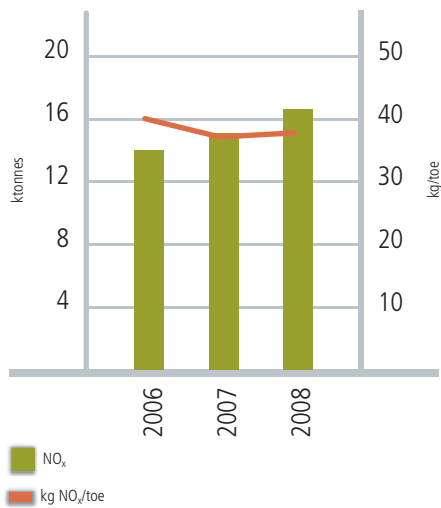
Greenhouse gases (GHGs), NO_x and SO₂ emission

indicators are shown in absolute terms (in tonnes) as well as relative to energy consumption, expressed in tonnes of emissions per tonne of oil equivalent (toe) consumed.

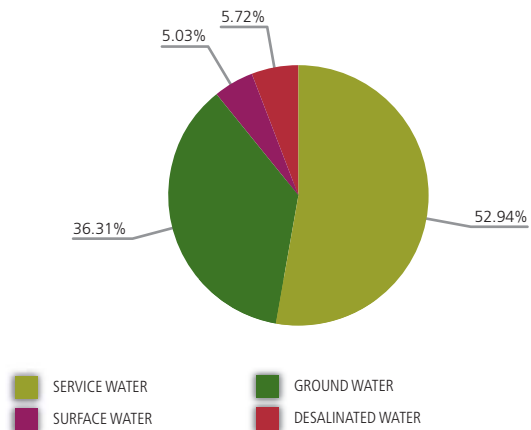
Water consumption

There was an increase in water consumption in 2008, mainly caused by hydro-testing activities on

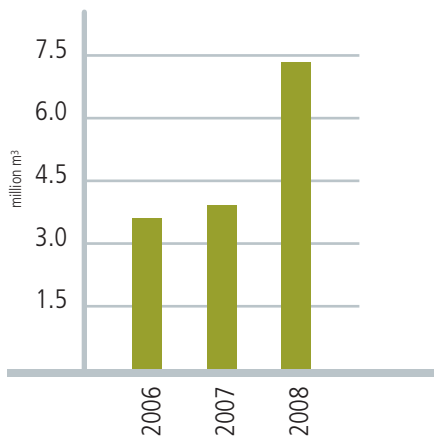
NO_x EMISSIONS



STRUCTURE OF WATER CONSUMPTION 2008 (%)



WATER CONSUMPTION
(not including non-desalinated water)



several onshore and offshore projects. Service water (i.e. fresh water from aqueduct or tanker) represents 52.94% of total water consumed, followed by ground water (36.31%) and desalinated water (5.72%). Non desalinated seawater is not included in the graphs as it consists of mostly ship ballast water and engine cooling system water that have a minimum impact on the marine ecosystem.

Water used for general service (45%) represented almost half of the water used in 2008, followed by water used for other purposes, such as cooling systems (26%) and hydro-testing (23%).

Waste generation

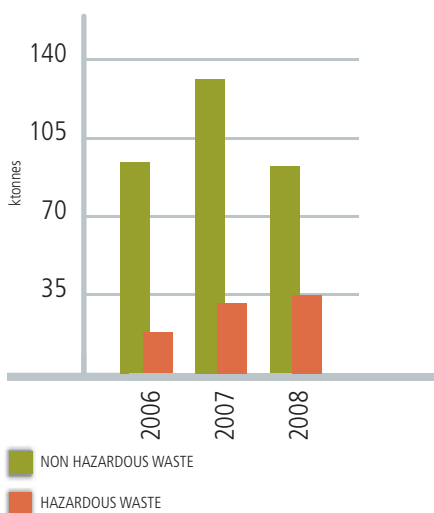
In 2008 Saipem put a lot of effort into implementing waste management plans on its operating sites and the total volume of waste decreased by 22% compared to 2007 from 162,600 tonnes to 127,200 tonnes. The decrease largely results from better management of non-hazardous waste, which was reduced by 30% in 2008.

Maintenance of assets led to an 11% increase in the quantity of hazardous waste from 31,330 tonnes in 2007 to 34,860 in 2008.

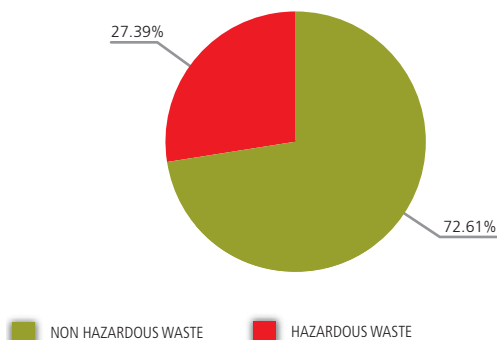
Spills

The number of oil and chemical spills has steadily declined over the past few years. This trend is a direct result of Saipem's training programs and on-site drills. Emergency plans are in place in case of any type of incident, all of which are managed appropriately.

WASTE PER TYPE



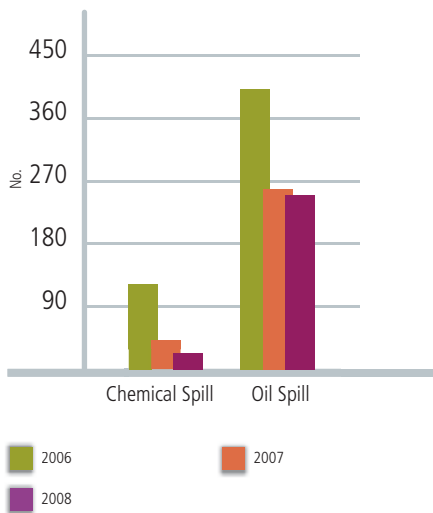
WASTE SUB-TYPE 2008 (%)



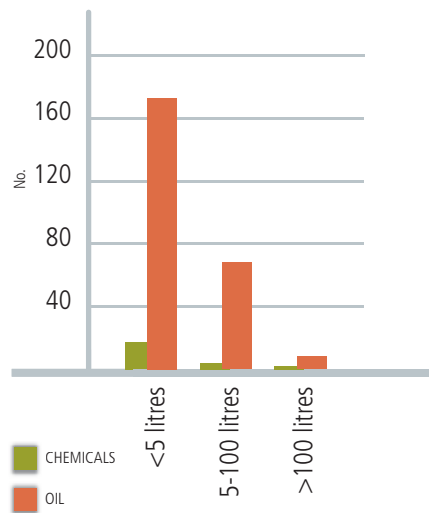


COMMITTED TO CONDUCT
OUR BUSINESS PRESERVING
LOCAL ENVIRONMENT

SPILLS NUMBER



CHEMICAL AND OIL SPILLS PER QUANTITY



Environmental Services

Within the Business Line Renewables & Environment (BU Onshore), the Operations Environment Function has developed a strong competence in initiatives to guarantee the sustainability of projects, through land management, environmental protection and the safeguarding of biodiversity. In particular, Saipem provides its expertise to its Customers in several ways, such as:

■ Pollution prevention and waste management

This activity, based on 'green design', aims to:

- use more efficient manufacturing processes and better materials to reduce the quantity of waste as well as its toxicity and hazard level;
- reduce the amount of pollution generated by industrial processes, increasing efficiency and reducing the amount and/or the quality of pollutant generated at source.

■ Sulphur and H₂S management

Saipem's activities cover gas treatment, acid gas re-injection and systems for sulphur gathering and transport.

■ Applied Ecology & Monitoring

These activities concern environmental matrix evaluation, feasibility planning, sustainability and biodiversity planning, environmental and social impact assessment, monitoring of marine and terrestrial ecosystems, and remote monitoring of plants and pipelines.

■ Industrial waste management

These activities include a preliminary knowledge-gathering stage (analysis of chemical, hazard, safety characteristics), and operational stage involving the organisation of waste packing, loading, transport and intermediate

treatment or storage, and a final stage of waste disposal or reuse. Saipem has strong capability in the design and construction of industrial landfill for hazardous wastes.

■ Plant decommissioning

These activities concern the characterisation and analysis of industrial risk, remediation planning, dismantling engineering, supervision of field activities, and final waste management.



Decommissioning of industrial plants in Italy: Brindisi and Assemini (CA).

■ Land management and site remediation

These activities cover the planning and execution of protection, conservation, restoration and rehabilitation projects, and the assessment of soil, sediment and ground water.

They include environmental matrix characterisation risk modelling and analysis and the planning and execution of safety measures. These measures include plastic diaphragms, surface sealing, hydraulic barriers and the planning and application of soil and groundwater remediation using various technologies: biological (bioflushing, landfarming, bioventing, biopile, natural attenuation), chemical-physical (soil vapour extraction, pump & treat, stabilisation, chemical oxidation, air sparging, permeable reactive barriers), and thermal (desorption and pyrolysis) technologies.

CO₂ CAPTURE AND STORAGE

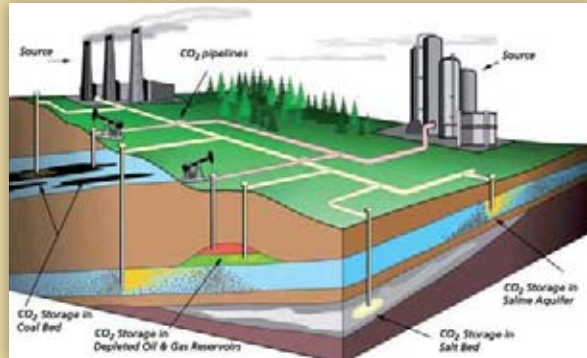
Carbon dioxide is the major greenhouse gas. Its concentration in the atmosphere has increased markedly in the past century, so that it is believed to be a major contributor to climate change. One of the options to control future emissions of CO₂ in the atmosphere is to capture it at the source of emissions and to store it in underground reservoirs. Saipem is participating in the development of the technology in several ways.

Saipem undertook the engineering for an Eni demonstration project in Italy. CO₂ was captured from the flue gas of a steam reformer plant in the Sannazzaro refinery and transported to Cortemaggiore to be injected in a depleted gas field.

A research study in France involved the preliminary design of pipelines to transport the CO₂ from a capture plant to re-injection wells, as well as the definition of special vessels to transport CO₂ in liquid form to storage sites located offshore or overseas.

Sofresid, a Saipem affiliated company, provides the engineering services for a Total demonstration project at Lacq in south France. CO₂ is recovered from an oxygen fired boiler and injected in a depleted gas field located 27 km away.

The Saipem Group is committed to pursuing this R&D effort in close collaboration with other main actors in the industry.



Geotechnical project for soil landfall.

Oil Spill Response

These activities concern equipment supply, personnel training, equipment maintenance, waste management, and management of sediments and coastal areas. Saipem provides an 'Emergency Service' available 24 hours a day, 365 days a year.

Environmental treatment plants

These activities concern the planning and construction of plants for site remediation, waste recycling, and water treatment – covering groundwater, process and waste streams.

SOIL PHYTOREMEDIATION

Location

Italy

Project

Soil remediation by phytoremediation

Completion date

2010

Contents

Treatment of a site (16 ha) contaminated by heavy metals by using various species of plants that are able to assimilate pollutants.

DESCRIPTION OF THE AREA

30,000 tonnes of soil contaminated with:

- Mercury
- Vanadium
- Zinc
- Copper
- Lead



PHYTOREMEDIATION TECHNOLOGY

Use of *Medicago sativa*, *Zea mais* e *Vetiveria zizanioides* that are able to grow up on contaminated soil.

'Microcosm test': estimate growth rate of various species

'Mesocosm test': estimate removal rate of resistant species with a good growth rate

Test to identify complexant agents for mobilisation



Medicago sativa



Helianthus annuus



Vetiveria zizanioides



Zea mais



Brassica juncea

ENVIRONMENTAL MONITORING IN 'PARCO DEL TICINO'

Location

Italy

Project

Environmental Monitoring

Completion date

2010

Contents

Three-year monitoring of chemical, biological and ecotoxicological parameters to analyse the ecological status of the canal bed and river banks in Roggia Cornice (Parco Lombardo del Ticino) affected by a heavy hydrocarbon spill on 2005.

OBJECTIVES

Control the natural bioattenuation of contamination from heavy hydrocarbons. Verify the restoration of ante operam environmental condition.

SURVEY ACTIVITIES

Monitoring stations:

- 12 monitoring stations were identified (4 control and 8 sensitive)

Surveyed matrices and type of analysis:

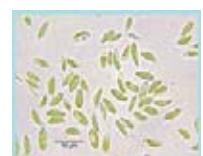
- Water: chemical, microbiological analyses (12 samples)
- Sediment: chemical, microbiologic and ecotoxicologic analyses (102 samples)
- Soil: chemical, microbiologic and ecotoxicologic analyses (183 samples)
- Canal bed and river banks: biota indices (12 areas)
- Fauna: Birds (6 areas), Micromammals, Amphibians (13 subunits)
- Vegetation: Flora and Vegetation (13 subunits)

DATA PROCESSING

AND INTERPRETATION OF RESULTS

All data was processed by statistical treatment to achieve the following objectives:

- determine the relationship between parameters
- make a spatial and temporal comparison



GREEN RIVER PROJECT TECHNICAL SUPPORT

Location

Nigeria

Project

Green River Project Technical Assistance

Completion date

Ongoing

Contents

The GRP's mission is to improve the living standard of the rural people through the promotion and development of agricultural schemes. Since 2003 Saipem provide GRP with expertise in soil science, agrometeorology, data management.



CAPACITY BUILDING

Saipem is collaborating with Naoc for the education of personnel and local farmers. Several courses have been held both in Italy and Nigeria on topics ranging from Data management to Phytodepuration.



AGROMETEOROLOGY

Saipem is installing a analog agro-meteorostation at the GRP Experimental Farm and will provide education to officers and farmers on the meaning of meteorological data for the planning and management of crops.

PLANT/SOIL LABORATORY

Saipem have equipped the GRP's Soil/Plant /Water testing Laboratory. Its uses include:

- Soil testing
- Water testing for aquaculture development
- Draw fertilisation plan.



ENERGY FROM BIOMASS IN NIGERIA

Location

Nigeria

Project

Niger Delta Biomass Exploitation Centre

Completion date

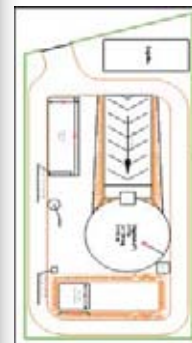
Ongoing

Contents

Design and construction of a biodigester for *Eichornia crassipes*, an infesting weed, and explore downstream community based application for biogas and byproducts like sludge and effluents.

OBJECTIVES

Fight the proliferation of water hyacinth in fresh waters of Niger Delta.
Provide communities with cheap, reliable and healthy power supply.
Establish self-sustainable, community-owned business, employing local people.
Propose an additional income source for households.
Improve the sanitary conditions of the people.



PROCESS PRODUCTS AND BYPRODUCTS

Electric power: the electric power is distributed to the community and local industries.

Heath generation: the heath is used:

- to dry the water hyacinth and the organic fertiliser produced;
- for crops drying;
- for cottage industries.

Fertiliser/ammender: the process sludges are rich in P, K, N and organic matter, and can be used to fertilise fields or to ammend poor soils.

Phyto-purified water: the water hyacinth filters heavy metals (Se, Mn, Cr) and nutrients from water.

ENVIRONMENTAL OPPORTUNITIES

Use of available biomass, avoiding the exploitation of existing fields.
Absence of wastes in the process.
Substitution of noisy and polluting diesel engines with power from renewable sources.
Substitution of chemical fertilisers with organic ones.
Reduction of water hyacinth infested areas, with improvement of the ecological quality of the environment.



Suppliers & Subcontractors

Suppliers and subcontractors are key to Saipem's success. The Group has therefore dedicated Vendor Management processes to evaluate the reliability of vendors, in terms of their technical, financial and organisational capabilities, to guarantee that the products and services that they provide effectively meet the Company's needs and that the quality level of supplies complies with Saipem's standard requirements.

Working as an EPC contractor following the Snamprogetti acquisition, Saipem Group is managing projects with high complexity and value. As a result, the total ordered in 2008 raised to €7.7 billion. Among the 37,430 vendors included in Saipem Vendor database, 21,081 are qualified.

Vendor performance improvement

Saipem has developed a standard procedure to perform Assessment Visits. These audits are performed at the vendor's premises to check managerial, organisational, technical, productive and logistical capabilities, as well

as to collect and evaluate other information. It is an extremely important process which provides a deeper knowledge of vendors, allowing Saipem to evaluate their real level of reliability and quality.

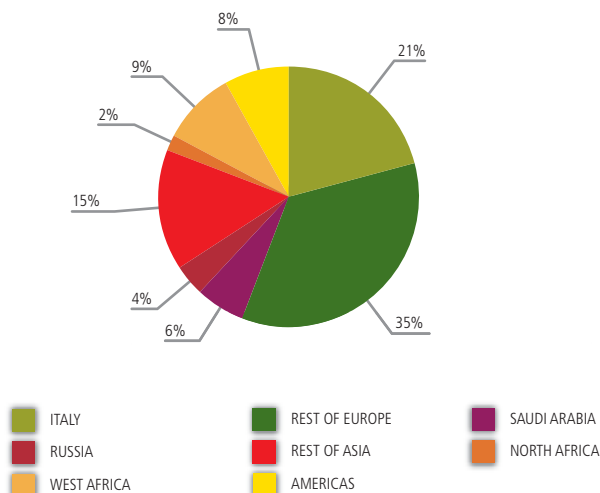
Assessment Visits can be performed for different reasons:

- to complete a qualification process in the case of issues identified during the ordinary document process;
- to support market intelligence activities such as market scouting or global sourcing projects in specific geographical areas;
- to address any cases of negative feedback from operating projects;
- to manage potential risks associated with vendors as requested by the client.

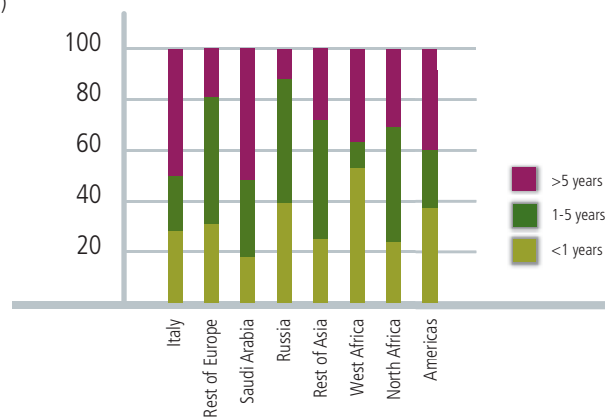
All of these activities are designed to maintain the vendor capabilities.

Different areas can be investigated during the assessment visit: general management, sub-vendor

QUALIFIED VENDORS SPLIT BY GEOGRAPHICAL AREA (%)



QUALIFIED VENDORS RELATIONSHIP DURATION PER GEOGRAPHICAL AREAS (%)



In order to share QHSE principles and expectations for achievement of common targets with main vendors & subcontractors, and reinforce their effective and efficient partnership with Saipem, a QHSE forum with main Italian Vendors & Subcontractors was held in 2007. A similar initiative involving main international vendors & subcontractors, planned for 2008, has been postponed to 2009.

management, products quality, engineering, assistance on site, problem-solving capability and the application of the relevant QA/QC procedures. As a result, different Saipem departments are involved in the audit. As an example, last year an assessment visit was performed to a valve manufacturer's site in India. During the visit, some non-conformities were found in organisation, quality management, production and testing, and health and safety management systems. Following these findings, the manufacturer accepted the recommendations made by the Saipem team and sent evidences of improvement within months as agreed. In 2008, this vendor was awarded an order for a project in Saudi Arabia and the feedback

has been satisfactory. This is a clear case of vendor development.

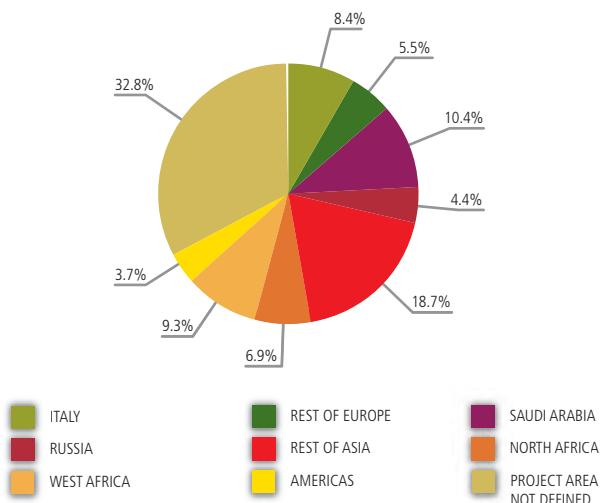
Access to Emerging Countries markets

Saipem Group is strongly committed to identifying and exploring new sources of supply in emerging countries, in order to support the global procurement process, improve its capability to exploit new markets and guarantee more sourcing opportunities to the Group.

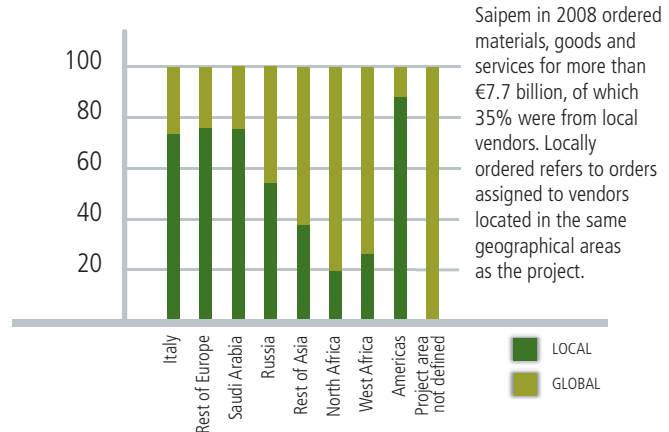
Focus on India

In 2008 Saipem launched the 'Indian Sourcing Project', with the aim of gaining competitive advantage in India,

TOTAL ORDERED IN 2008 SPLIT BY GEOGRAPHICAL AREA (%)



TOTAL ORDERED IN 2008 SPLIT BY LOCAL/GLOBAL VENDORS (%)



Saipem in 2008 ordered materials, goods and services for more than €7.7 billion, of which 35% were from local vendors. Locally ordered refers to orders assigned to vendors located in the same geographical areas as the project.

mainly in terms of the availability of products and services. The project represents a challenging task as it is not always easy to develop successful commercial relationships with Indian partners. This is due to the partners having different cultures and backgrounds, geographical factors, and difficulty in identifying the future economic and political direction of India's booming economy. The main objective of the project is to enlarge Saipem's vendor database with suitable and reliable Indian vendors.

> SOURCING CENTRE

Saipem has developed a new organisation and processes to raise the profile of Saipem India Project (SIP) staff in Group level procurement and post order activities involving local vendors. The local Procurement Department in SIP has been identified as a Sourcing Centre, in order to better utilise its local competencies and its deeper knowledge of specific features of Indian market. In particular, as the Sourcing Centre, it supports Corporate Procurement's Coordination Department in:

- performing local market scouting in order to identify the most suitable suppliers and subcontractors to meet Saipem's increasing competitive challenges;
- collaborating in such activities as Qualification process and Assessment Visits to local vendors' sites.

The Sourcing Centre is also involved, jointly with Corporate Procurement and Engineering departments, in the definition of Project Vendor Lists, putting forward potential Indian vendors.

Another important task is to support Saipem projects all over the world (both in the bidding and operating phases), ensuring there is an interface with Indian market for all purchasing activities. The overall goal is to develop mutually beneficial long-term relationships with Indian vendors.



> INCREASE OF THE NUMBER AND DEVELOPMENT OF INDIAN VENDORS

Many Indian vendors were already on Saipem's database at the start of the Indian Sourcing Project, some of whom had been awarded purchase orders.

Since the beginning of the project, scouting activities have been carried out to add new suitable vendors and the qualification status of existing vendors has been updated. Currently, 683 Indian vendors are listed in the Saipem Integrated Business Information System (IBIS), of whom 394 are qualified and 162 have potential status. In the second half of 2008, about 40 visits were made to Indian suppliers' sites and more than 70 are planned in 2009.



DRILLING RIG IN THE
DESERT, ALGERIA

Assessment visits are important in providing the best possible analysis of vendors' capabilities and the quality level of relevant supplies. They form a crucial tool in helping vendors to increase their knowledge of Saipem as well as international market standard requirements.

> LONG-TERM RELATIONSHIP WITH INDIAN VENDORS

The Corporate Procurement Coordination department and SIP have defined the main criteria by which to select potential vendors, such as companies not belonging to Western Groups, having good international supply references and possibly, already being qualified by major Clients. Currently SIP, in

cooperation with Corporate Procurement, has selected 7 companies for potential long-term agreements. These agreements could be based on co-operation in the proposal phase, concurrent engineering and sharing of volume requirements in order to book the vendor's capacity. The aim is to have continuous relationships with the partner with a dedicated contact in Saipem. Such actions will be implemented with selected vendors.

Saipem's activities are therefore oriented to guarantee the Company's sustainability in terms of the availability and reliability of procurement sources, building long-term relationships with vendors in different geographical areas.

In these interviews, two Saipem suppliers describe their experiences and interactions with Saipem.

INTERVIEW WITH RE.MAC.UT

Re.Mac.Ut is an Italian supplier providing engineering, construction and on-board commissioning and operation of surface and subsea equipments for the Offshore industry.

■ **HAS YOUR COMPANY'S PERSPECTIVE AND APPROACH CHANGED SINCE YOU STARTED WORKING WITH SAIPEM AND HOW?**

Our company started as contractor in the automotive business. In the seventies, a first contract with Saipem to supply equipment for Castoro Sei (tensioners and firing line) helped us to gain our first experience as a contractor in the Oil & Gas business, which now, together with the naval sector, provides about 95% of our total turnover. With that contract we turned from a domestic supplier into an international one.

Thanks to the experience we had acquired in the automotive sector, we had the know-how and the skill to move into the new business of offshore equipment, mainly through pipe-laying machinery. This turned out to be a successful experience. We started with designing and assembling these special pieces of equipment, by outsourcing some critical components but, some time later, we developed the technological capabilities to engineer and manufacture them internally as well as the hydraulic and electric components needed. We now implement design and engineering phases – our core skills – as well as assembly and all the services for technical assistance on site, continuously collaborating with our clients.

■ **HAS THE COLLABORATION WITH SAIPEM INCREASED YOUR KNOW-HOW? HOW IMPORTANT FOR YOUR COMPANY IS WORKING WITH SAIPEM, FROM A BUSINESS AND TECHNOLOGICAL POINT OF VIEW?**

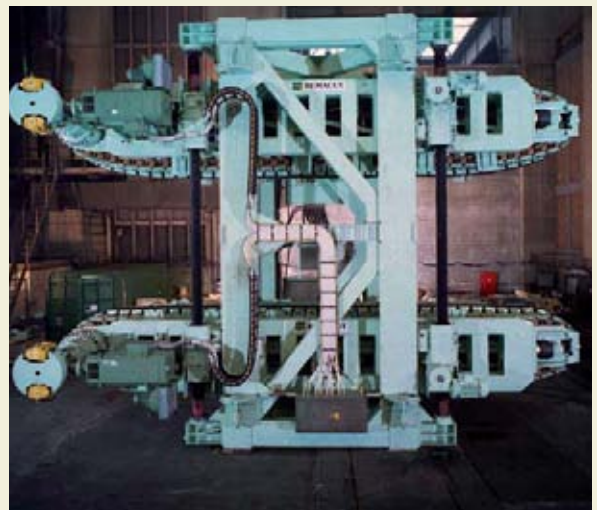
We can say that our business has been developed thanks to Saipem's requests and collaboration. The positive and continuous collaboration with Saipem helps us to further improve our items of equipment and customise them in order to meet our clients' needs. We can now dare to work on new and challenging projects and this approach is an important factor for our clients. Collaboration with Saipem in international projects and with international partners has helped us to further improve our organisational and operating

processes. For instance, while working with Saipem for a big project which required our presence on the project's site for a long period, we developed internal rules for planning activities and applying safety rules. Although these rules were developed for that particular project, we have since continued to implement them for other jobs. We have also improved our post order process, in accordance with the Saipem approach, being aware of the importance of the relationship with our suppliers of parts and materials. They are mainly local suppliers and this has helped us to set up a good climate of collaboration and trust.

■ **WHAT SUSTAINABILITY MEANS FOR A SMALL COMPANY LIKE YOURS AND FOR YOUR BUSINESS? WHICH ARE THE MOST IMPORTANT ASPECTS?**

Our people, our employees are essential for us, being those who create our added value in developing and producing our products. It is essential for us to train them, mainly by the training on the job, particularly when they are based on our clients' vessels and construction sites.

Besides this, the relationship with our customers is essential as collaboration is continual and based on trust and reliability, always having the same target – namely to carry out the job according to the clients' requirements.



Pipe tensioner for Saipem 7000.



Valves with engines.

INTERVIEW WITH VALVITALIA

Valvitalia is an Italian Group which produces valves and other energy equipment for oil, gas, power and water industries.

Valvitalia was born in 2002 but it includes some old companies such as Tormene Gas Technology (established in 1907), Vitas (established in 1965) and Tecnoforge (established in 1965).

WHAT DOES 'SUSTAINABILITY' MEAN FOR YOUR COMPANY? WHICH ARE THE MOST IMPORTANT ASPECTS?

We have always believed in creating value through services and business practices that focus on environmental protection and social responsibility. Our company policy is focused on research and development for technological innovation in order to reduce the environmental impact from our activities. Investment in technology, operations and training on environment and security, are very important: HSE values are priority goals for Valvitalia. We are strongly committed to policies and practices that promote sustainable development, using international standards of management systems such as ISO 14001 to reduce the impacts of our activities, ISO 9001, which confirms our adherence to a set of quality management principles, including customer focus, leadership and mutual beneficial relationships with suppliers.

Our constant attention to the environment has enabled us to obtain ISO 14001, regarding the environmental management system for the Group. It is our target to implement the OHSAS 18001, regarding the health and safety management system.

HAS THE COLLABORATION WITH SAIPEM INCREASED YOUR KNOW-HOW?

Since the signature of a frame agreement with Saipem for technological development, we have started a close collaboration between Valvitalia and Saipem experts. Especially for the FPSO Cidade de Vitoria (Golfinho Project) our collaboration was very strong since Valvitalia's technical department and Saipem's technical department joined together and worked for more than six months in order to find the best design solutions for the valves to be provided. We adapt and improve our products to comply with Saipem's requirements and be fit for purpose.

HOW IMPORTANT FOR YOUR COMPANY IS WORKING WITH SAIPEM FROM A BUSINESS POINT OF VIEW?

Valvitalia always operates in accordance with values of integrity, transparency, and collaboration. Working with Saipem has helped us to increase attention to these values and to improve the management of the customer relationship. Valvitalia aims to understand in advance the needs of the customer, always respecting the rules of the market. Collaboration with Saipem has also helped us to further continue and improve the innovation of our products. This consequently has given us some business advantages and the chance to increase our market perspectives. Working with various Saipem projects, Valvitalia was introduced to several markets, for instance:

- Sakhalin phase II (Sakhalin Island - Russian Federation) our first big project with Saipem;
- Fluxis LNG Term. 1st extension (Belgium);
- FPSO Cidade de Vitoria - Golfinho (Brazil);
- Sonatrach Hassi Messaoud UTBS (Algeria).



Customers

As seen in earlier chapters, market characteristics and clients' profiles have changed significantly and rapidly over recent years. The following trends have emerged among Saipem clients:

- The emergence of National Oil Companies (NOCs) as the main Company clients, replacing to some extent western majors and independents, with headquarters and areas of operations in completely new geographies compared with a few years ago. These include Petronas (Malaysia), Gazprom and Lukoil (Russia).
 - The emergence of a new type of player, born by market consolidation or changing market structure, such as electric power companies moving upstream in the value chain to produce gas from their newly acquired reserves, such as E.On.
 - In many cases, the temporary formation of complex special purpose joint ventures between several clients, for a single large project, which often lack the personality and the tradition of established oil and gas companies.
- Saipem has adapted well to these changing market needs by adopting a varied portfolio of approaches to its customers' different requirements, while maintaining a consistent long-term strategy, such as:
- Flexibility to operate within any contractual model, from performing a single service such as engineering to a full service offering such as EPC or EPIC, under reimbursable, lump-sum or hybrid convertible contractual forms.
 - Increased emphasis and enhancement of Saipem's capabilities to execute the Front End portions of projects. This is particularly appreciated by some NOCs, that have less expertise than the established majors in accurately defining the scope of an overall mega-project.
 - Strategic relationships with some clients, going well beyond single project execution to embrace sharing of knowledge and experience, 'lessons learned', views and execution strategies, as well as identifying business opportunities of common interest.

CUSTOMER SATISFACTION

THE FOCUS ON CUSTOMER SATISFACTION WILL REMAIN A KEY PRIORITY IN 2009

As it affects customer retention and, therefore, profitability and competitiveness, complete customer satisfaction is the key to securing customer loyalty and generating superior long-term financial performance. It is also clear that high customer satisfaction leads to the strengthening of the relationship between a customer and a company, and this deep sense of collaboration has been found to be the key to long-term profitability.

*For these reasons, starting from the results shown in the **2008 Management Review Meeting**, activities in 2009 will be focused on the enforcement of customer satisfaction monitoring, either by indirect or direct evaluation. The enhancement of the process will be carried out through a detailed choice of main indicators to monitor, by pushing for direct meetings with clients to collect feedback and a further standardisation of questionnaires based on the peculiar characteristics of different kinds of projects such as EPIC, T&I and others. This will provide common analysis of feedback in order to identify improvement areas and related corrective actions based on the main classes of customer complaints.*

A new challenge for the model will be the introduction of a specific scoring system to give an objective measurement of clients' perception of how their requirements have been fulfilled, through using a specific index.



ONBOARD FPSO

- Long-term or Frame Agreements, also containing provisions for co-investment, or for dedicated Saipem investments to back-up clients' needs in the long-term.
- Long-term co-operation with other E&C firms in areas

of common long-term interest, in order to share the benefits of common know-how, assets and experience, for example, the joint venture SaiPar with Parker for drilling, or the developing mode of co-operation with Chiyoda in onshore.

Saipem in the World

SUSTAINABILITY 08

“ Our goal:
to be a **citizen**
of the communities
in which we work ”

In the areas with long-term presence, Saipem has developed a long-lasting and structured approach for local stakeholders engagement, cooperating in socio-economic development.

In the countries with short-to-medium term presence, Saipem coordinates with the customers its efforts to promote socio-economic development, by always guaranteeing flexibility to adapt to different local contexts.

In 2008, Saipem has assigned most of its social expenditures for local communities to infrastructures and socio-economic development.



saipem



TRES MUNDOS - OIL
PAINTING FROM SOCIAL
PROGRAM PERU
AUTHOR: VICTOR
SHAHUANO

*The work of this artist
depicts three faces of the
World, in which he shows
the continents where
Saipem works.*



VICTOR

A committed citizen

Saipem has a presence in many locations around the world, operating with a decentralised organisation in order to respond to local needs and sustainability issues. Everywhere it works, it plays an active role in the local community, giving its contribution to the social, economic and environmental life of the area, mainly in term of local employment and value creation.

Saipem's presence in local communities takes one of two different forms: a long-term presence where Saipem has construction yards or other facilities; and a mid-term or short-term presence in territories where Saipem is working on specific projects.

Saipem's engagement with local communities depends on whether the presence is a long-term or short-to-medium term, as shown in the table below.

Saipem's contribution to the communities where it is based

This section covers locations where Saipem's presence has been important historically and will remain in the future, focusing particularly on places where Saipem has set up long-term settlements. These are the Petromar Yard in Soyo (Angola), the BOS Shelf Yard in Baku (Azerbaijan), the Boscongo Yard in Pointe Noire (Congo), the ERSAL Yard in Kuryk (Kazakhstan), the SCNL Yard in Rumuolumeni (Nigeria), and Petrex plants in Peru. For each installation, Saipem's presence and the activities in the local area are described. This includes an overview of stakeholder engagement as well as a description of the main sustainability projects carried out in 2008. These cover socio-economic programmes, environmental protection activities and other projects that are not directly linked to Saipem's activities.

Yard	Project
Long-term presence	Medium/short-term presence
Direct contact with local communities	Interaction with local communities coordinated in collaboration with clients and/or partners
Formal long-term commitment for local content in daily work by hiring local employees and using local vendors	Flexibility to adapt the work to different local contexts, applying international management and operational standards
Long-term investments for socio-economic development in collaboration with local stakeholders	Initiatives for socio-economic development carried out mainly in accordance with clients' requirements
Engagement of local communities carried out directly by Saipem with a long-lasting and structured approach.	Engagement of local communities and authorities mainly carried out by clients, while Saipem participates in the implementation of activities.

In 2008, following the feedback received on the previous Report, Saipem launched a pilot project to account more in detail for social expenditures, that includes all expenses addressed to specific projects dedicated to local communities. The project covered Azerbaijan, Kazakhstan, Nigeria, Peru and Italy, with a overall amount of €775,382. The 77% of these expenses (€595,093) was addressed to community projects, mainly for infrastructures and social development.

MAIN CONTRACTS AND ACTIVITIES

OFFSHORE BU

In the Mediterranean Sea, the EPIC-type **West Delta Deep Concession Phase IV** project, for Burullus Gas Co, in **Egypt**, was completed. This contract, for the development of a gas field in deep waters, was the first of its kind to be awarded to Saipem. For Burullus Gas Co, Saipem is also carrying out the **Sequoia** EPIC contract, consisting of a subsea development system for the Sequoia field and a new gas export pipeline. Construction and pipelaying activities on the **Spanish** side of the Mediterranean are ongoing on the EPIC project **Medgaz**, for Medgaz, which encompasses the installation of a subsea pipeline system for the transportation of natural gas from Algeria to Spain across the Mediterranean Sea. In **West Africa**, Saipem continued installation and deep-water pipelaying operations carried out by the vessel Saipem FDS as part of the EPIC-type **AKPO** project in Nigeria, for Total Upstream Nigeria Ltd. Now under completion are the activities involved in the EPIC-type **Awa Paloukou** project, for Eni Congo SA, in Congo, consisting of a platform and interconnecting pipeline linking the platform to the Djeno terminal. In the **Far East**, the **Thai Oil** EPIC project was completed for Thai Oil Public Co Ltd, involving the construction of oil offloading facilities including a buoy mooring system, a subsea pipeline and associated shore facilities for the Sri Racha refinery in the Gulf of Siam. 2008 saw the completion of pre-commissioning activities on the two EPIC contracts as part of the **Tanggung LNG Project**, for BP Berau Ltd, following the installation of the two platforms in 2006 and the completion of the offshore works in 2007. In **Australia**, Saipem continued activities on the EPIC-type **Blacktip** project for Eni Australia Ltd, involving a production platform and associated subsea pipeline system for transporting oil & gas to an onshore terminal. In **Kazakhstan**, for Agip KCO, installation of onshore facilities and offshore pipelaying operations continued for the **Kashagan Trunkline and Production Flowlines** project, part of the development of the Kashagan field in the Caspian Sea. A further four barges containing plant modules, pipe-racks and piles have been installed as part of the **Kashagan Piles and Flares** project. Meanwhile, vessel modification, refurbishment and engineering activities continued as part of the preliminary contract for the **Kashagan Hook Up and Commissioning** project.

ONSHORE BU

In **Saudi Arabia** two key projects are on going for Saudi Aramco: the **Khurais Crude Facilities** project comprising the construction of a gas-oil separation plant (GOSP); and the **Khurais Utilities and WIPS** project for the construction of pumping stations which inject water from the Qurayyah seawater treatment plant into the Khurais field. In addition, the **Khursaniyah** project, for Saudi Aramco, involves the construction of a gas-oil separation plant. In **Tunisia**, the **Trans Tunisian Pipeline** project, for Scogat, consists of the construction of two new gas compression stations and the expansion of existing gas compression facilities. In **Nigeria**, main projects consist of construction and installation of flowlines and pipelines, such as the **Okoloma**, **Gbaran** and **Nembe** projects for Shell Petroleum Development Co; construction and commissioning of gas treatment facilities, such as the **OB/OB Revamping** project for Nigerian Agip Oil Co; and construction of a logistics base for Shell Petroleum Development Co in the **Gbaran Logistic Base** project. In **Russia**, the **Sakhalin II** project, on behalf of Sakhalin Energy Ltd, comprises offshore and onshore pipelaying operations, the installation of compression and pumping stations and a terminal. In **France**, the **Fos Cavaou** project for Gaz de France consists of the construction of a regasification terminal, including three storage tanks and marine works. In the **Americas**, activities are on going for construction of regasification terminals, such as the **Canaport** EPC project, in Canada (for Canaport LNG), and the **Melchorita LNG** project (for Peru LNG in a joint venture with Constructora Norberto Odebrecht and in consortium with Jan de Nul NV). In **Qatar**, the EPC-type **Qafco 5** project for Qatar Fertiliser Co SAQ involves the construction and commissioning of two new plants for the production of Ammonia and Urea (in consortium with Hyundai Engineering & Construction Co Ltd). In addition, the EPC-type **Pearl Gas To Liquids (GTL)** project for Qatar Shell Ltd comprises the construction of a waste water treatment plant in the industrial city of Ras Laffan (in consortium with the company Al Jaber and a joint venture comprising Saipem and OTV). In the **United Arab Emirates**, the EPC-type **Ruwais** project for Gasco consists of the construction of a fractionation train and the expansion of associated facilities.

DRILLING BU

In 2008, the drilling BU drilled 50 wells offshore and 241 onshore. Offshore, the deepwater vessel **Saipem 10000** operated on behalf of Total Exploration & Production Angola. The semi-submersible platform **Scarabeo 3** carried out activities off the coasts of Nigeria on behalf of Addax Petroleum, for a contract extended up to June 2011. **Scarabeo 4** has operated in Egyptian waters for IEOC and then in Libya for Eni North Africa. **Scarabeo 5** continued operations in Norway for Statoil, while **Scarabeo 6** operated in Egypt for Burullus Gas Co. The semi-submersible vessel **Scarabeo 7** operated in the Erha field, in Nigeria, on behalf of ExxonMobil Nigeria. Jack-ups **Perro Negro** operated in **India**, **Saudi Arabia**, **Egypt**, while the **Packaged 5820** operated in Libyan waters. In Congo, drilling activities have been started for the new tender assisted rig **TAD 1** on behalf of Eni Congo SA. Onshore, in **Italy** work-over operations have been started for Eni E&P. In **Saudi Arabia**, 10 wells are operational for Saudi Aramco. In Algeria 6 rigs are operating. In **South America**, in Peru 12 wells have been drilled for Pluspetrol, and 29 wells for Petrobras and InterOil, in the Talara area. Similar activities have been performed for PDVSA in Venezuela, with more than 120 wells. In **Kazakhstan** drilling/workover activities have been performed on behalf of Karachaganak Petroleum Operating (KPO). During 2008, drilling activities continued for Agip KCO in the north part of the Caspian Sea, for the Kashagan giant oil field.

Angola - Soyo and Ambriz Yards

Description of the activities and the sites

The Petromar Soyo Yard is located on the northern side of Angola, in the town of Soyo (109,000 people), 400 km from Luanda, the capital. The yard is situated on the shore of the Congo River delta, bordering Kwanda Base.

The Soyo Yard consists of an Assembly Workshop with approximately 114 m² of covered structures. It accommodates two 15 MT overhead cranes for handling fabricated goods over the length of the workshop.

The Ambriz Yard is a manufacturing yard which is currently being rehabilitated prior to a re-launch. It is designated for manufacturing of various types of structures and pipelines. The construction yard and the base camp are located in the city of Ambriz, about 110 km north of Luanda. The yard is situated on the channel linking the Ganga lagoon to the Atlantic Ocean. The base camp is located about 500 m from the yard, on the opposite side of the city along the Atlantic Ocean. The re-opening of the Petromar yard will create approximately 600 jobs.



SUSTAINABILITY IN ACTION

PETROMAR

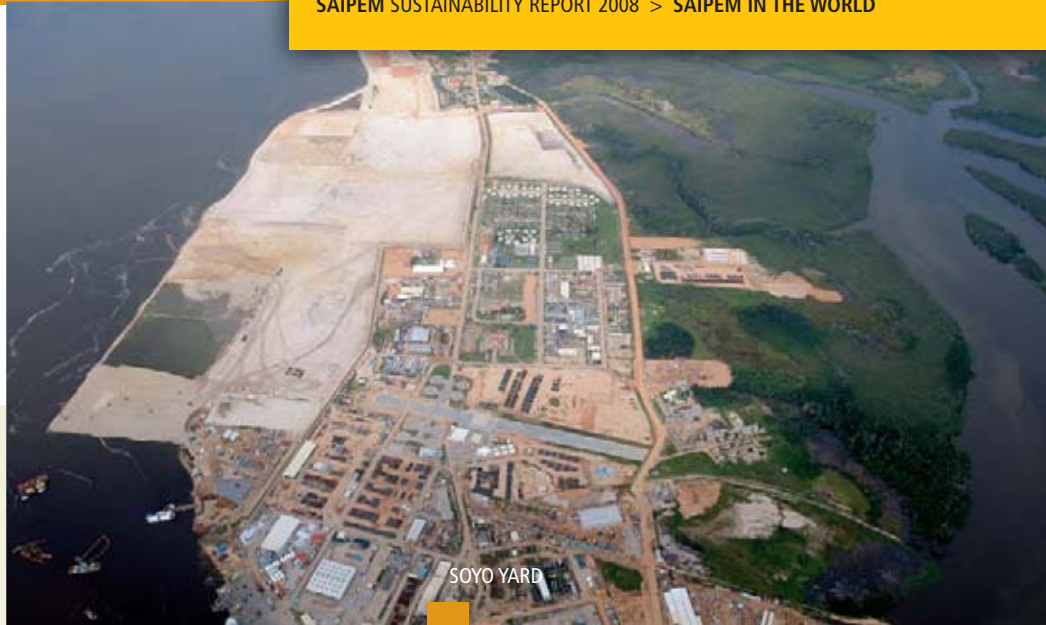
SUSTAINABILITY POLICY

In 2008, Petromar issued a new sustainability policy. Petromar's approach to sustainability is based on the creation of long-term shareholder value by contributing to the development of the local communities where it operates, compatible with the socio-economic and environmental needs of its clients. It states that Petromar employees should have development opportunities and work in an environment that is increasingly healthy and safe.

Petromar is committed to implement its policy through providing environmental protection, promoting economic growth and supporting social progress. It works with local suppliers and develops professional training to increase local content and achieve greater 'Angolanisation' of the business.

DIALOGUE WITH LOCAL STAKEHOLDERS

In May and June 2008, Petromar undertook opinion research on its socio-economic and environmental impacts in Ambriz and Soyo. 81 people of both genders participated directly in the survey (41 from Ambriz



and 40 from Soyo) aged 15 to 77, from illiterate people to graduates and from different social backgrounds. In analysing the results, focus was mainly on Ambriz as Petromar is the only company working there, whereas in Soyo there are many oil sector companies. The study showed how Petromar's activity has improved the life of the community, where there was previously widespread unemployment and high rate of poverty. A 77-year-old man said: 'Since Petromar opened the training school in Ambriz, most of the young people started to be trained and the gang of marginalised people disappeared'.

SOCIO-ECONOMIC PROGRAMS

The number of employees at Petromar has increased from 251 in 1994 to 2,200 in 2007, Petromar's original target for 70% of its employees to be Angolan has been exceeded with the proportion now being 73%. Most employees have been working for Petromar for between 1 and 5 years. Petromar worked closely with a local delegation of the Angolan Labour Ministry (MAPESS) during the process of recruitment. Several trainees were preselected based on the results they achieved during

their basic training organised by the Petromar Welding School Department.

Investments for health protection for employees and their families amounted to 2 million USD in 2007. Petromar's employees in Soyo and their families have free medical assistance. Also in Soyo, Malaria Seminars were organised for 100 new employees and clients in 2008 and various tool box training sessions were carried out on general hygiene, alcohol and drug abuse, snake venom protection, first aid training fitness & healthy eating, and water conservation.

Petromar has supported the local administration in organising cultural and sporting events such as the annual celebrations of Ambriz city and football games with Soyo Football Club.

ENVIRONMENTAL PROGRAMS

Petromar conducted an Environmental Impact Assessment (EIA) Study in November 2008, covering the impacts involved in

the construction and rehabilitation of Petromar Yard in Ambriz. The EIA was conducted in compliance with Angolan legislation and international standards such as World Bank methodology in order to define what would be the best achievable project in terms of environmental and societal issues.

According to the assessment, if all proposed environmental measures are adequately implemented, the project will have some positive economic impacts and will otherwise only have minor and moderate residual impacts.

Consequently, the environmental quality of Ambriz Yard rehabilitation project has been deemed acceptable. The analysis also highlights three positive social impacts, namely:

- 1) a significant increase in employment opportunities for local people;
- 2) an improvement in accessibility to the nearby channel for local fishers;
- 3) the rehabilitation and landscaping of a now-obsolete industrial area which has spoiled the landscape.

Azerbaijan - Baku Yard

Description of the activities and the site

BOS Shelf LLC is a company formed by Saipem's Operating Company Star Gulf FZCO and the State Oil Company of Azerbaijan Republic.

BOS Shelf makes a wide range of steel structures and piping works for offshore oil and gas projects in the Caspian. It also undertakes maintenance, logistics and support assignments for Saipem's Caspian Fleet and has recently been involved in prefabrication works for the local onshore mining industry.

The BOS Shelf yard is located about 20 km south of Baku, operating in the Baku Deep Water Jackets Factory (BDOZ). The closest city to the yard is Qaradağ which has a population of around 50,000. The BOS Shelf site is surrounded by various plants, namely Qaradağ Gas Processing Ltd, the gas-compressor station of Azer Gas, a mechanisation office and a concrete plant.



SUSTAINABILITY IN ACTION

DIALOGUE WITH LOCAL STAKEHOLDERS

BOS Shelf's management maintains a relationship with local government and authorities in order to understand their needs and expectations. BOS Shelf Supervisors have participated in training sessions organised by the Ministry of Emergencies on 'Technical Safety'. The purpose of this training is to obtain a fundamental understanding of local requirements for HSE that need to be implemented by BOS Shelf.

BOS Shelf has also contributed significantly to the development of a new law supporting economic growth in Azerbaijan, by cooperating with various ministries.

LOCAL CONTENT

At a peak, BOS Shelf consisted of around 2,500 employees, of whom 95% were Azerbaijani nationals. BOS Shelf made a priority of training its personnel in order to bring their skills to international standards. Such training included working towards qualifications for riggers, welders and fitters, in the specialised training schools created and operated at the BOS Shelf site. In addition, a number of courses were successfully carried out to develop engineers,



BAKU YARD

safety personnel, accountants and administration staff.

SOCIO-ECONOMIC PROGRAMS

Since beginning its operations, BOS Shelf decided to benefit employees by using modern financing methods. Each employee opened a bank account with access to credit and insurance facilities. Following this initiative, a partnership with a local banking institution was created. This improved the situation for employees because previously the Azerbaijani population was often dependent for credit on 'loan sharks' or family funding. The Star Gulf Charity Fund continues

a 'Feeding the Elderly' project in collaboration with the Jewish society of Azerbaijani Women. At the moment there are 50 people being supported.

For the last six years BOS Shelf has contributed to a range of worthwhile community projects and provided sponsorships for various causes.

ENVIRONMENTAL PROGRAMS

BOS Shelf has implemented a 'Green Campaign' to raise its employees' awareness of the importance of environmental protection in everyday life. A series of initiatives have been introduced in the yard to encourage

separation of waste and materials for subsequent recycling or recovery – such as paper, wood, and metal – as well as energy saving measures.

SUSTAINABILITY GOING FORWARD

From 2009, BOS Shelf plans to participate in construction work to upgrade an Old People's Home in the Mardakan district of Baku. Work will consist in the construction of new buildings and renovation of older ones.

Republic of the Congo - Pointe Noire Yard

Description of the activities and the site

The Saipem Affiliate Companies operating in Republic of the Congo are Boscongo, Saipem Congo Branch and Saipem Energy Services Congo Branch. They are based in a yard located in an industrial area of Pointe Noire. Created in 1980, the site, now 28 hectares, is in the process of refurbishment. The yard is composed of a quay, marine base, stores, several fabrication workshops, offices, a drilling and maintenance base, and an infirmary.

The Saipem Affiliate Companies operating in Congo carry out several activities: construction offshore and onshore, installation, drilling and maintenance. An integrated organisation allows shared services to be provided to all operating companies. These are Administration Finance - HR; Procurement and Logistics; QHSE; and external relations.

The yard also hosts some facilities of partners: Afrimel, Eni and Presiozo.



SUSTAINABILITY IN ACTION

DIALOGUE WITH LOCAL STAKEHOLDERS

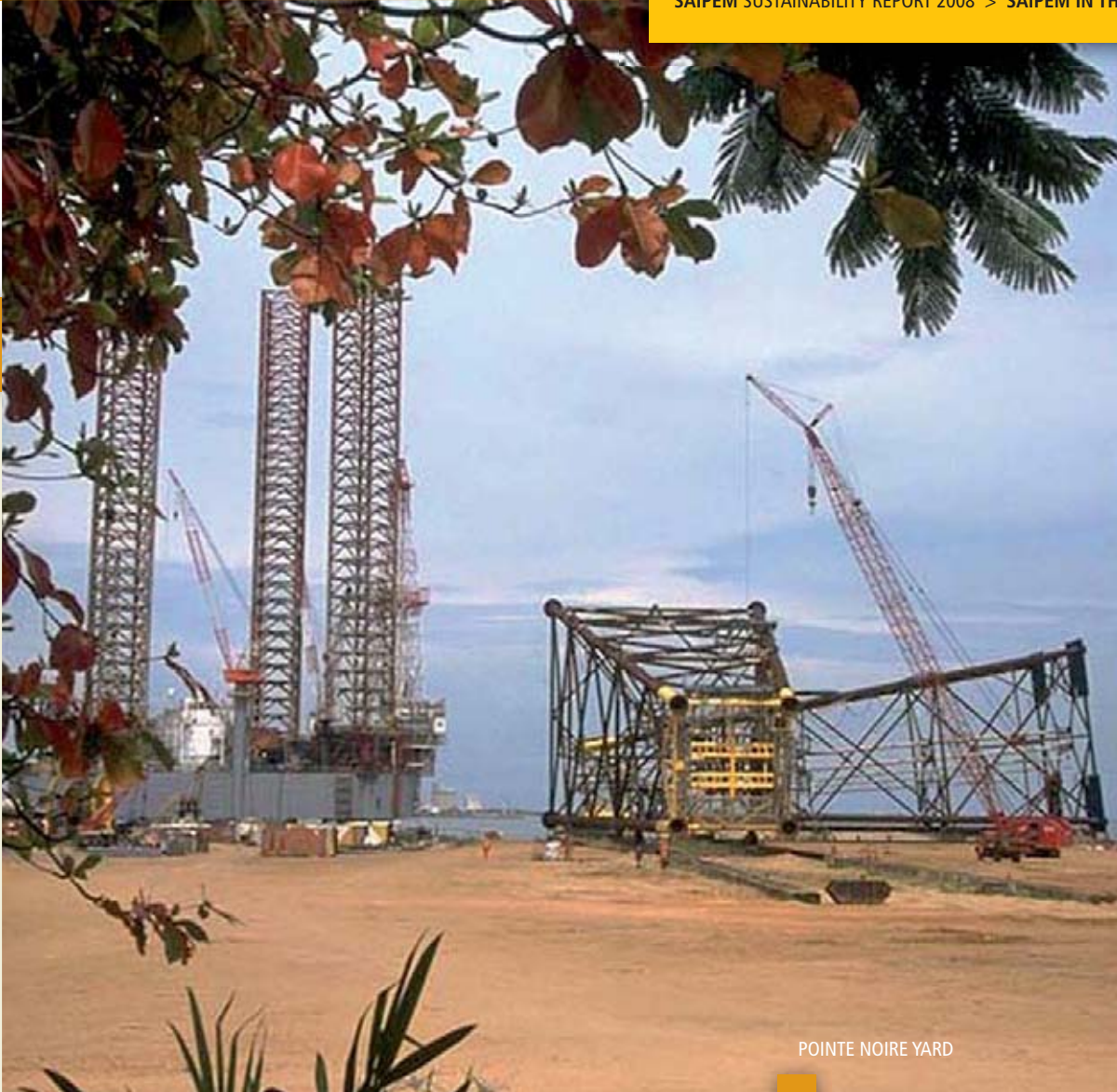
The Saipem Affiliate Companies operating in Congo are in contact with local authorities and with national Government, in particular the Ministry of the Petroleum, the Ministry of Tourism and Environment and Ministry of Health. Each six months, a meeting and a visit of Saipem's facilities is organised for these ministries.

SOCIO-ECONOMIC PROGRAMS

Saipem's Affiliate Companies operating in Congo are committed to develop the competencies and capacities of local employees through training programs focusing on HSE issues – for example Leadership in Safety – and on technical knowledge for welders and pipe fitters, crane operators, and electricians.

A retention plan is also in place for key young employees to encourage them to plan a long-term career within Saipem.

Under the convention of establishment concluded with the Congolese state, Saipem Affiliate Companies organise advertising campaigns among the workforce on the risks of infection by HIV/AIDS and



POINTE NOIRE YARD

the means to prevent it, and also on the risks of Malaria.

A financial loan program has been set up to help employees to improve their living standards.

In order to increase employment of local people, Saipem's Affiliate Companies have identified students from the Science and Technologies Institute of Pointe Noire they plan to recruit as white collar workers within two years.

Saipem also supports the socio-economic development of the local

community in regard to education and health.

ENVIRONMENTAL PROGRAMS

Saipem's Affiliate Companies are in the process of improving their HSE Management System in line with the OHSAS 18001 and ISO 14001 standards.

Following the refurbishment plan for the Pointe Noire yard, a Social and Environmental Impact Assessment is underway with partners, in order to identify ways to reduce impacts on the

environment and provide more support to the social community.

SUSTAINABILITY GOING FORWARD

In 2009, new initiatives are expected to be taken to promote health protection and environmental protection, in line with recommendations from the Social and Environmental Impact Assessment of the yard.

Kazakhstan - Kuryk Yard

Description of the activities and the site

ERSAI Llc, a Kazakh Saipem Group Company (a joint venture between Saipem and ERC Holdings, a local company) has its fabrication yard in an area covering about 220 hectares on the shore of the Caspian Sea. It is located in Karakiya Region, Mangystau Oblast, about 7 km from the village of Kuryk, and 70 km south of Aktau.

ERSAI's activities are: Project management, organisation, engineering, procurement, construction and installation, commissioning and maintenance of plant and equipment, facilities, ship building, port management, logistic services and ancillary works for the oil and gas sector and associated onshore and offshore industries.



SUSTAINABILITY IN ACTION

DIALOGUE WITH LOCAL STAKEHOLDERS

As ERSAL has plans to extend its yard, in February 2008 it held a public hearing to discuss the Environmental Impact Assessment for the proposed extension. The meeting involved the local community and all interested parties including the Akim (governor) of the Karakyaia region, a representative from the Mangistau Environmental Department and public independent organisations.

The assessment has shown that implementation of the ERSAL Caspian Yard extension project will not have negative socio-economic or environmental consequences for the territory under consideration. In fact its implementation will have a positive impact on life of the population from new jobs, increased incomes, improved living conditions, infrastructure development and economic growth.

SOCIO-ECONOMIC PROGRAMS

Karaganda University Students

In order to increase employment of local people, ERSAL has program of recruitment and training for students from the University in the local town of Karaganda. At the moment 13 trainees are working in different disciplines (welding, environmental, quality control, etc.).

English & Computer Trainings at Kuryk

The language barrier is one of the main obstacles to integration with local community as well as one of the biggest problems in a multinational company as ERSAL. To address this issue, English courses for ERSAL employees were organised in 2008, along with computer training.

Employee Climate Analysis

During May 2008, a questionnaire on the work environment, known as the 'Climate Analysis' was distributed among ERSAL employees. The purpose of the Climate Analysis was to gauge employees' opinion on the working climate within the Company in order to make plans to improve the work environment. The questionnaire was completed anonymously and was used to collect feedback from employees and improve the internal management system.

In 2008, a Community Engagement Plan was established based on the analysis of the needs of Kuryk population.

As part of the plan, in March 2008, ERSAL completed a refurbishment of Aktau Hospital rooms with 3 hospital beds for the Surgery Unit, the Surgical Infection Unit and the Gastroenterology Unit.

ERSAL has also granted medical equipment for lung ventilation and inhalation anaesthesia to a regional hospital in Kuryk. ERSAL has also repaired four Kuryk Hospital

Ambulance cars.

Informative Campaign

Training programs on the following subjects are conducted among Kuryk school children: AIDS & sexual transmitted diseases, alcohol and its consequences, bird flu training, first aid training, safety road training, ergonomic training, quality.

Business Incubator

One of the major projects in ERSAL plan is the 'Business Incubator' in Kuryk. Rising unemployment in the area has led an increasing number of individuals to make an effort to start their own businesses. Legislative incentives have also fuelled the rapid growth of new enterprises. Unfortunately, due to a lack of business knowledge and absence of practical business skills many entrepreneurs are unable to make the best of such opportunities. Through the Business Incubator, ERSAL can increase the chances of start-up businesses succeeding by nurturing them in their initial stages. Business Incubator supports start-up enterprises by granting production and office spaces on favourable terms for business activity and by providing Life Skills, Business and Computer training as well as legal consultancy. Through the provision of such training and advice, the project can give entrepreneurs the time they need to establish their enterprises and make significant progress toward self-sustainability. As a result, people

will make fewer mistakes, improve the quality of their contacts, and better understand how to interpret laws.

ENVIRONMENTAL PROGRAMS*Voluntary Cleaning Day in Kuryk*

ERSAL Company actively takes part in ecological events in the Karakiya Region. For example, during the spring of 2008, the Akimat (Council) of Karakiya Region organised several clean-ups of Kuryk village and the coastal zone in which ERSAL participated. ERSAL's employees cleaned territory in Kuryk village and the adjoining coast. More than 25 tonnes of garbage was collected and removed by ERSAL's people.

Awareness campaigns conducted among Kuryk school children have covered two subjects:

- Clean Environment
- Let's save the Caspian Sea.

**SUSTAINABILITY
GOING FORWARD**

For the next year, ERSAL intends to have more effective sustainability initiatives. These will be focused on education for school children (on environmental protection and waste separation), introduction of a safety culture through the program 'Leadership in Safety in School', landscaping activities and introducing Kazakh culture to Saipem Italy.

Nigeria - Rumuolumeni Yard

Description of the activities and the site

Saipem Nigerian Operating Companies are Saipem Contracting Nigeria Ltd (SCNL), Saipem Nigeria Ltd, Saipem Engineering Nigeria Ltd. The Saipem Base complex is located on a 700,000 square metre riverside site on the Bonny River at Rumuolumeni; 10 km from the city centre of Port Harcourt. The complex is made up of a series of office buildings, a clinic, an HSE training centre, stores, a camp area and recreational facilities. The Saipem Operation Base carries out construction of offshore and onshore process facilities, structures, plants and pipelines for the oil and gas industry. Its activities cover project management, operations, administration, personnel and logistics.

The base is surrounded by a rich ecosystem and several villages which make up the Rumuolumeni Community.



SUSTAINABILITY IN ACTION

DIALOGUE WITH LOCAL STAKEHOLDERS

Saipem Rumuolumeni yard's main stakeholder is the Rumuolumeni Community. Local people are represented to Saipem by the Landlord Committee, representatives of the main interest groups in the community. Saipem has signed a Memorandum of Understanding (MoU) with the local community describing its commitments in term of employment of community workers, participation and funding of community initiatives, etc. According to the MoU requirements, a meeting is held with the community Landlord Committee on a quarterly basis. In Nigeria, Saipem has currently in place 2 MoU with local communities, and 10 MoU have been signed with local communities by Saipem's Client, including also Saipem commitments.

SOCIO-ECONOMIC PROGRAMS

Saipem is committed to maintaining and training its personnel to guarantee their competence and capacity in everyday work. In 2008 training activities involved more than 200 employees, both Nigerians and expatriates, through technical courses to increase their competence in job execution.

Saipem has also continuously conducted safety training for its entire staff, both existing and newly-hired employees. A dedicated training centre with professional safety trainers has been set up to guarantee that safety awareness training is delivered on a daily basis to all employees.

Saipem's commitment and involvement in the socio-economic development of the Rumuolumeni communities, as agreed in the MoU, in 2008 mainly focused on: education and technical training, health, infrastructure construction. In terms of education, Saipem supports local schools through providing scholarships – benefiting 20 Rumuolumeni post-secondary students in the school year 2007-2008 and providing training for students. In 2008, students from various technical institutions carried out their industrial training programs in Saipem for periods ranging from 3 months to 1 year. The program enables the students to acquire technical experience before graduation from school. Besides, a technical training program on craft skills in Welding and Pipefitting works was conducted for 40 young people of Akwa Ibom State.

This program was conducted in the SCNL Training Schools in the Base in Port Harcourt.

Saipem carried out the construction and asphaltting of the road that links Mgbuodohia with Nkpor village and took care of the upgrading of roads in Rumuolumeni to improve their quality and usability.

Saipem provided economic support to the local community for the construction of a water borehole and drainage system and the installation of energy transformers, based on the Memorandum of Understanding with the host community.

ENVIRONMENTAL PROGRAMS

In order to proceed with the Base's expansion plans – the Rumuolumeni Base expansion II project – an Environmental Impact Assessment (EIA) study was carried out which included:

- defining the scope of the proposed project;
- determining the baseline environmental profile of the project area and its environs;
- defining the relevant legal and administrative requirements of the project;
- determining the framework for interaction and integration of views of a multidisciplinary



RUMUOLUMENI YARD

project team with regulators, host community and stakeholders;

- defining the procedures and protocols for identification and assessment of potential and associated impacts and selecting appropriate limitative and ameliorative measures for adverse impacts;
- developing an effective environmental management plan to be implemented during and after the construction phase.

SUSTAINABILITY GOING FORWARD

Energy conservation and water conservation are the areas that Saipem has identified as a priority for sustainability in Nigeria. Considering the increase of human and industrial activity, it is imperative that Saipem develops an effective management system to ensure sustainable energy and water use.

Peru - Petrex

Description of the activities and the site

Petrex SA is a company which provides services for the petroleum industry in the areas of drilling and maintenance of onshore and offshore oil and gas wells. In Peru, Petrex has a presence in Talara, Lima, and Iquitos. Lima is the capital and largest city of Peru, composed of 33 municipal districts with a population of 8.4 million people.

Talara is an important petroleum port city on the Pacific Ocean. In Talara, Petrex maintains an operational and administrative base.

Iquitos is the capital of Loreto Region, located on the Amazon River. Iquitos is generally considered the most populous city in the world (370,962 inhabitants) that cannot be reached by road.

Currently Petrex has operations in Peruvian forest area of Loreto.

Petrex SA is the first company in Peru obtaining a multi site certification at international level according to ISO 9001:2000. In October 2008, Petrex received a Recognition Award by the Quality Management Committee of the National Industries Society of Peru.



SUSTAINABILITY IN ACTION

DIALOGUE WITH LOCAL STAKEHOLDERS

Petrex has established a *Sustainability Talent Program*, including initiatives to promote education, health and environmental conservation, among employees and communities where Petrex has an active presence.

Care of its employees is one of the main targets of Petrex. The company is committed to maximize the local content of its activities, by prioritising the hiring of local personnel, an approach that has resulted in 98% or 1,379 of personnel being local.

As part of the employees training program, Petrex organises well control courses for different members of the crew with internal certified instructors. In 2008, 98 participated in the courses and 59 were approved.

Regarding Safety, Petrex provides the STOP (Safety Training Observation Program) for new employees and current employees. This program helps participants develop their safety awareness and talk with peers about all aspects of safety. In 2008, 460 employees participated in 43 STOP sessions. Petrex also provides training modules on different HSE topics such as emergency

preparedness, fire fighting, working at heights, prevention of hand injury. In terms of clients, Petrex maintains a positive two-way communication. Petrex collaborates with its clients, acting in compliance with their ISO 14001 and OHSAS 18001 certifications. Petrex also responds in a timely way to social responsibility initiatives initiated by its clients. Local communities' expectations and needs are addressed through the *Community Relationship Program* established by the client. Petrex's activities in local communities are mainly aimed at increasing local work opportunities, encouraging local suppliers and supporting health and education activities.

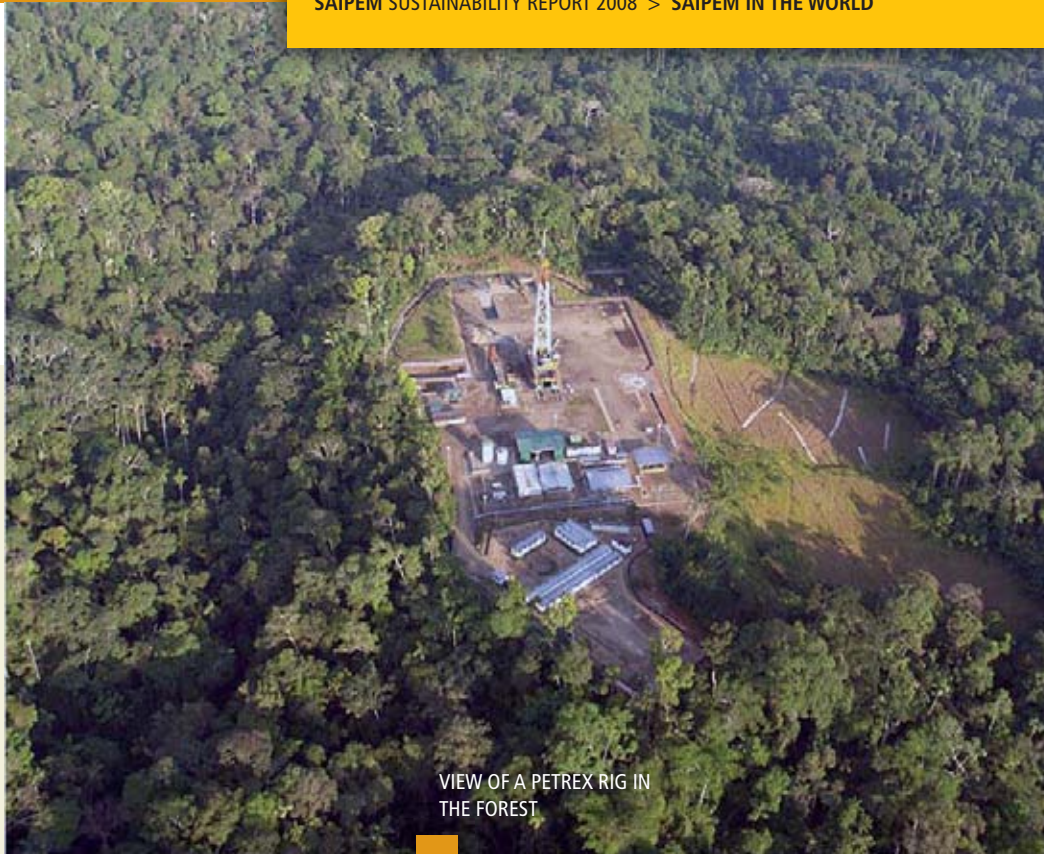
SOCIO-ECONOMIC PROGRAMS

Health Promotion

To uphold its commitment to promotion of health, Petrex responds to the medical needs of its employees and their families, as well as those of the inhabitants of the communities which are influenced by its projects. This approach led to a range of activities in 2008. As injuries caused by accidents in the home should initially be treated by members of the family, while they await medical assistance, the Petrex

Occupational Health Unit developed the 'First Aid and Emergencies at home' course in order to facilitate the knowledge and techniques needed to deal with such accidents. The course was run in Talara with 47 participants. The closing ceremony was attended by representatives of the local Fire Fighting Service, who demonstrated the techniques that should be employed after an accident. Petrex has also taken action over the high incidence of parasitic illnesses in the region of Loreto which is a major public health concern. These illnesses are transmitted as a result of poor habits related to food and deficient sanitary hygiene. The consequences include malnutrition and poor academic performance, which result in a low quality of life for the population.

In the vicinity of Lake Morona Cocha, known for its high level of pollution as a source of gastrointestinal illnesses, there is an institution called the 'Casa de la Niña de Loreto' (The Loreto Girls' Home). This hosts 80 girls from the riverside communities and villages of Loreto who live in conditions of poverty and moral danger with no access to educational centres. The institution takes care of their nutrition and provides education in computer skills, handicrafts and dancing. Additionally, the institution provides for the local population of the area, with 45 children of school age attending part-time and 28 children from 3 to 5 years of age. Petrex began a campaign to prevent parasitic infections through its occupational health unit. The campaign was divided into two



VIEW OF A PETREX RIG IN THE FOREST

THE SOCIAL PROGRAM IN PERU: FINAL ACTIVITIES AND RESULTS

In pursuing a sustainable approach with regard to sponsorship initiatives, Saipem, in collaboration with its local company Petrex, has promoted a Social Project on creativity which started in 2007 and continued in 2008.

The project has been implemented with two local non-governmental organisations – La Canoa Sin Fronteras and Nuestra Señora Del Perpetuo Socorro, in order to promote creativity among young people suffering hardships. The project has involved children who took part in a handicraft activity making wooden articles painted with Saipem-inspired designs, and in a music workshop, a dance workshop and an art project representing Saipem's work through images in artwork.

A celebration of the sustainability initiative was held on May 9, 2008 in the park of the Museo del Oro in Lima. This also marked Petrex's twenty-fifth year of operations in the country. The children's oil paintings were exhibited, representing subjects common to Saipem's world, as well as themes regarding Saipem's impact on the region. The evening continued with a show of two dances performed by the children in traditional dress, interweaving local Peruvian culture and the activities of Saipem around the world.

This event, which sought to unite two important moments for Petrex, and the response it sparked at the local level show how Saipem's attitude to face new challenges with passion and an eye to sustainability can be considered one of the Company's success factors.



phases: a training phase and a medical administration phase. During the training phase healthy lifestyles were encouraged among the school population. At the end of the campaign, all the participants had received the complete treatment needed to prevent parasitic infections.

Promotion of Education

Petrex believes that it is essential to concentrate the educational activities on the youngest members of the population. This new generation will need to face the demands of globalization with a creative, competitive and enterprising spirit. Petrex promoted a computing course in Talara and Iquitos. In Talara, children of Petrex employees, ranging in age from third grade secondary school students to 18 year old, have taken part in this course. The mothers of the children expressed their appreciation and their need to acquire computer skills as well, in order to be able to help their children with their schoolwork. In response to this request, the scope of the course was widened to include the wives of employees. In total there were 120 participants.

In Iquitos, a 4-month workshop on graphic design software was organised for 50 participants, 45 of whom were children of Petrex



SOCIAL PROGRAM, PERU

employees – aged 13 to 16 – and five were from the 'Loreto Girls' House'. Participants expressed their satisfaction over this positive initiative by the company, highlighting the importance of such initiatives to create new knowledge and skills for their future personal and professional development.

Program for labour market insertion for young people living in El Alto

El Alto is a district in the province of Talara where Petrex has workover and pulling operations for Petrobrás Energía SA. Petrex is convinced that 'the commitment of all contributes to

the common good', and, supporting the undertaking of its client, has introduced training incentives and job opportunities for young people to improve the quality of life of El Alto population. Eight young people were selected and judged to be suitable for the positions required. After a safety and environmental induction, in June 2008 they began working with Petrex workover and pulling rigs as operators of general tasks.

ENVIRONMENTAL PROGRAMS

Petrex, in coordination with the Municipality of Talara, has held a

series of conferences related to climate change. Well-known speakers took part from the Naturaleza NGO and Cultura Internacional NGO, and the participating collaborators worked as a group to produce suggestions on how to protect the environment. In Iquitos, the environmental workshop was held for 50 young people between the ages of 13 and 16, children of Petrex employees. The workshop involved discussions on how to minimise energy and water consumption and generate less waste in homes, schools and communities.

Indonesia - New Yard in Karimun

In 2007, Saipem decided to invest in a fabrication yard in Pangke Village, Karimun Island, in West Riau Islands Province, Indonesia. The function of the yard includes fabrication for FPSO module integration; fabrication of topsides, jackets, wellheads and ancillary structure items; and the support of marine transportation activities. The main facilities of the fabrication yard include piping workshops, a prefabrication workshop, blasting and painting sheds, an administration office, a training centre, a medical and fire fighting centre and accommodation. The development of the fabrication yard will be in 3 stages:

- 1) the pre-construction phase;
- 2) the construction phase;
- 3) and the operational phase.

The land clearing and construction phases have been started during 2008 and are planned to continue for a two year period prior to the full ramp up of the fabrication yard.



The Karimun yard will be managed locally by PT Saipem Indonesia. The company, fully in line with Saipem group QHSE management system, is certified to the standards of ISO 9001:2000, ISO 14001:2004 and OHSAS 18001:1999.

Karimun Yard		
Total area	(ha)	140
Fabrication capacity annual tonnage:		
Modules	(tonnes)	15,000
Jackets and Piles	(tonnes)	40,000
Annual man-hours		10,000,000

SUSTAINABILITY MANAGEMENT PROCESS

Before the beginning of the project, Saipem performed an Environmental Impact Analysis, a Site Health Risk Assessment, a Social Impact Assessment and a Security Risk Assessment among the local communities living in the Pangke area, with the purpose of identifying the issues and associated potential impacts from the construction and operational activities. This allows the company to define appropriate action plans to manage the impacts. A number of 'Sustainability Initiatives' have been and will be implemented during the project execution, mainly focused on environmental conservation, education, cultural and recreational activities, health awareness and social and economic development.

Saipem has also performed a Social, Economic and Cultural Survey, that will be repeated periodically on the communities of Pangke area. The survey allows Saipem to develop strategic approach to effectively engage the local communities on the long-term.



Saipem's contribution to making projects sustainable

This second section presents some examples of stakeholder engagement, and the promotion of socio-economic development among local communities, carried out in areas where Saipem is conducting projects. In particular, the focus is concentrated on Peru where Saipem is the partner of the CDB Melchorita Consortium for the construction of a regasification terminal, and on Brazil with Saipem do Brasil.

■ CDB Melchorita

The CDB Melchorita consortium shares a long-term vision with the local provinces of Chíncha and Cañete, recognising itself as a change agent through demonstrating social responsibility. Within that framework, CDB Melchorita's main commitment is to contribute to incorporate the expectations of the consortium's local stakeholders in an equitable and rational way. The intention is to improve the area's competitiveness and quality of life, promoting sustainable development, without falling into paternalism or charity.

The CDB Melchorita Consortium's Social Responsibility program has four components:

- Social Development
- Economic Development
- Environment Protection
- Cultural Development.

This project is based on an understanding that health is a result of the interaction of economic, politic, social and biological factors.

> PROMOTING THE HEALTH AND MANAGING THE ACCESS TO HEALTH SERVICES

The main objectives of the project to promote health and manage access to health services are:

- To facilitate the access of vulnerable populations from marginal and rural urbanized areas to health services such as health campaigns and preventive health conferences;
- To manage and sponsor health campaigns and preventive conferences in compliance with local needs.

From October 2007 to July 2008, 70 health-related activities took place in all districts in the Project's area of direct influence, benefiting 7,819 people. These activities included medical attention and meetings on health prevention. The project also sponsors the diffusion of health services by supporting an epidemiologic monitoring survey.

> FACILITATING ECONOMIC DEVELOPMENT THROUGH THE LABOUR MARKET

In a context where there is a lack especially of work, the project's main objective is to enable people to develop competencies and enterprising attitudes that enable them to enter the labour market, as dependent or independent workers or by starting enterprises that generate jobs. This project includes classes and workshops on subjects such as:

- Rush craftworks
- Advertising Products using Serigraphy (screen-printing) and Polymer Stamps
- Sewing by machine
- Training in social organisation
- Other occupational workshops arranged by agreement with the municipalities of Chíncha and Cañete provinces.

These courses and workshops are mainly addressed to women who otherwise have no resources to sustain themselves, helping them start micro-enterprises. These also support using more local content through the implementation of a 'Buy local' program.

> **INCORPORATING ENVIRONMENT CARE KNOWLEDGE AND PRACTICES**

Respect and care for the environment constitutes one of CDB Melchorita Consortium's main areas of community support. In a context where there is otherwise a lack of care for the environment and health in daily practices, the project focuses on training and promotion of local development. The purpose of this initiative is to:

- Sensitize the population to take care of the environment
- To make participants conscious of the need to assume an active role in the care of the environment of their own locality
- To enable the local population to develop environment and health care practices.

The first part of this initiative was a beach cleaning campaign that took place on the beaches of three districts in the Project's direct area of influence, Chinchá. The local population, public institutions, authorities and private companies contributed to this experience with the support of young students who participated as voluntary brigades during the summer season. The campaign provided information to people on appropriate waste management, collection of residues and other activities. The project also aims to ensure the preservation and conservation of the neighbourhood's Peruvian cultural heritage. Some archaeological areas threatened by robberies, damage from construction activities, the action of time and weather damage have been protected. Measures put in place to maintain protection are:

- Building and maintenance of barriers and screen protections
- Notice boards and signage on each archaeological site
- Awareness campaigns among workers.

Regular visits from the Institute for National Culture (INC), the body in charge of archaeological finds, allow

the good maintenance of this cultural heritage to be recorded.

> **CULTURAL DEVELOPMENT**

A key component of the program is support for recreational activity, such as identification and learning about local cultural traditions, historical heritage and costumes. In this area, the following programs have been scheduled:

- Support for sport through a 'CDB SPORT' School
- Support for cultural activity through a 'CDB AFRO' School Dance and Music.

> **SPORT SCHOOL 'CDB SPORT'**

This is not simply an initiative about football and recreation, but one that aims at learning the technical and tactical aspects of sport, as a part of the integral development of boys and girls. It brings them an alternative means of personal and social growth, involving their parents, with a positive impact on the whole community. The project has four dimensions: sport training and promotion; student and family coaching; education in values; and nutritional and medical counselling. The project involves 100 pupils and their respective families, as direct beneficiaries. They are 8 to 10 years old and come from the districts in the Project's direct influence area of Cañete and Chinchá. 12 out of the 100 pupils are girls. They demonstrate progress in their learning and their presence is fundamental in the promotion of gender equality in our pupils' and their parents' daily life as well as in their respective districts and school.

> **'CDB AFRO' DANCE AND MUSIC SCHOOL**

The 'CDB AFRO' Dance and music school, has been running since October 2007 and now has 100 pupils.

SOCIAL PROGRAM IN
MELCHORITA, PERU

Its main objective is to reinforce the local culture through its learning, practice and diffusion in various Afro descendants' events. It also aims to develop pupils' personal and social capacities through art, culture and learning processes. This project involves pupils' families and educational institutions, as main partners, to pursue the objectives. The program includes various discussions and conferences during which participants analyse, investigate and diffuse Afro descendants' contribution to Peruvian culture. School pupils achieved their best public artistic show during the 'Verano Negro 2008' celebrations (2008 Black Summer) in Chincha, as all the pupils participated in various groups and displays of choreography. The CDB AFRO School is now called upon to participate in events organised by public institutions or other bodies. These are the first results of an integral development project that centres on families, making art a means for the development of our direct beneficiaries as well as the Chincha and Cañete communities generally. This project is based on multiculturalism, gender equity and values in order to promote a culture of peace and understanding.

■ Saipem do Brasil

In Brazil, Saipem has set up a professional training and skill acquisition program for young students from low-income families.

Through an agreement with charitable and educational institutions, students work, after school, in Saipem offices to improve their skills in office tasks and other activities such as languages and computing.

In 2008, 14 young apprentices were trained in the Rio de Janeiro, Vitória and Mossoró offices.

Saipem participates in its client's project to implement a technical course for drilling technicians in Mossoró, improving the local labour market and creating qualified workers among local people.

Research on stakeholder appraisal is being carried out for Saipem do Brasil's activities in Vitória, and its headquarters, in Rio de Janeiro.

The scope of the research is:

- to identify the main stakeholders of Saipem do Brasil and evaluate the quality of the relationships by developing profiles of those involved;
- to understand the policies or actions that Saipem has already undertaken in the sustainability field and to systematize these activities, recommending initiatives to be implemented in the future.

Meetings and interviews with Saipem personnel, employers and managers have already been carried out. Consultation among external stakeholders is continuing, gathering their feedback and identifying further actions to be implemented.



Methodology

In order to define the contents of Saipem Sustainability Report 2008, reference has been made to the principles of materiality, stakeholder inclusiveness, sustainability context, and completeness. For the purpose of guaranteeing the quality of the information provided, the principles of balance, comparability, accuracy, timeliness, reliability, and clarity have been followed.

In order to respect these principles, Saipem has developed its own specific approach to defining the contents of the Report. This approach is strongly focused on stakeholders. The list of relevant Saipem stakeholders was defined by the Sustainability Committee after a comprehensive analysis of the business. The Sustainability Team has developed a structured framework to analyse the needs of each stakeholder group and to ensure that they are taken into account. All of these requirements are then assessed in relation to the company mission and strategy to develop sustainability activities and targets. The messages generated through this process have been shared with the Sustainability Committee and will be the basis for the definition of future sustainability targets and activities. A set of Key Performance Indicators (KPIs) was selected and agreed with the Committee, to support messages presented to the stakeholders and to enable the Organisation's performance to be assessed. The identification of KPIs started from the indicators put forward by international guidelines and global best practices that were adapted to the operational context of Saipem.

Data are taken from the information systems used for the general management and accounting of company's operations or from public data made available by recognised Institutions. Some data and information were

received from Saipem Operating Companies around the world.

The Report deals with the activities of the entire Saipem Group. Considering the variety and complexity of Saipem business and organisation, each year Saipem Sustainability Report, besides describing the overall yearly performance, focus its attention and describes some relevant aspects of the comprehensive sustainability approach.

Further information can be found in the previous Sustainability Reports of 2006 and 2007, and in the Financial Annual Report, that can help the reader to get the complete overview of all Saipem procedures and processes implemented for the sustainability, and of the Company's operating activities.

Concerning data, the consolidation area is the one considered in the Financial Report, unless otherwise specified in the text. All the data refer, unless otherwise specified, to the 2008 financial year. When available, they have been compared with those of the previous two financial years. The details of calculation methods are reported along with the corresponding graphs or indicators.

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 Financial Report, usually held in April.

To assure the reliability of the information provided in this Report and to improve the reporting process, an external independent audit firm has performed an audit. The auditor has then issued an assurance statement, published at the end of this Report.

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Glossary

Accident

Term to define an unplanned Event or chain of Events that results in harm to people (injury), damage to property or the environment, loss of process.

Biodiversity

Biodiversity is the variation of taxonomic life forms within a given ecosystem, biome or for the entire Earth. Biodiversity is often a measure of the health of biological systems.

Commuting Injury

Commuting injuries are all of those, which occur whilst a worker is travelling between a place of residence (Company provided or personal) and the workplace. Commuting Injuries are not included in Lost Time Injury and in the calculation of the Frequency Rate. Occurrences where a worker is injured whilst travelling on duty are not deemed to be Commuting Injuries and are included within Lost Time Injury, Restricted Work Case or Medical Treatment depending on the consequences.

Events

Term to define all the Accidents, Incidents, Near Misses occurred during Company and Sub-Contractors activities.

Fatality

Term to define a death resulting from a Work Related Injury, regardless of the time intervening between the injury and the death. Fatalities are included when calculating the number of Lost Time Injuries and Frequency Rate.

First Aid Case (FAC)

Term to define any one time treatment of minor injuries that usually do not require medical care by a physician (i.e. scratches, cuts, burns, splinters, not embedded foreign bodies in the eyes, etc.) and its eventual subsequent visits. Such treatment is considered FAC even if provided by a physician.

Hazardous Waste

In accordance with the Corporate Standard STD-COR-HSE-003, it includes: adhesives and sealants; photographic developing and fixing bath; other liquid waste from NDT tests; exhausted oil from hydraulic circuits and from engines; other oils & greases; electronic apparatus; solvents; transformers & capacitors; batteries & accumulators; waste from the cleaning of tanks and reservoir for transport & stockage; asphalt, tar and tarry

products; ashes & scoriae from boilers, air treatment plants or incinerators; waste (muds, etc.) from waste water treatment plants; medical waste; other chemical waste; oil filters; oily water; contaminated soil; other contaminated waste; sprayers; glue tubes; light tubes; mixed hazardous waste.

HSC Fuel Oil

High Sulphur Content fuel oil: it refers to the fuel oil with high sulphur percentage >1% used for the Company activity. The quantities shall be indicated distinguishing the different purposes oil has been used for.

HSE Training Hours

Include the program for:

- Introducing the HSE concepts which are obligatory under Company/legislative norms, envisaged at the time all employees were hired;
- Specific HSE programs for personnel working in emergency management;
- Specific programs for particular jobs.

HSE Training Hours have to be considered as 'Contact hours' and calculated as the hours of contact between a group of participants and the instructor. Multiplying the number of participants by the number of hours the training session took arrives at the figure to be reported. Do not include Safety Induction Training such as offshore arrival.

Incident

General term to define an unplanned Event or chain of Events not necessarily resulting in loss or in harm to people, damage to property or the environment, loss of process.

J-Lay method

J-Lay is a pipelaying method. It takes his name from the suspended shape of the pipe, which forms a 'J' going from the surface of the vessel to the seabed.

Job Safety Analysis - JSA

Is a procedure used to identify, analyse and record the steps involved in performing a specific job, the existing or potential safety hazards associated with each step, and the recommended action(s)/procedure(s) that will eliminate or reduce these hazards and the risk of a Work Related injury.

Local Content personnel

Saipem employees that are citizens of the Country where the Operating Unit works.

Lost Time Injury (LTI)

A LTI is any work-related injury, which renders the injured person temporarily unable to perform any regular Job or Restricted Work on any day/shift after the day on which the injury occurred. In this case 'any day' includes rest day, weekend day, holiday. The day of the Accident is not counted when calculating Lost Workdays. Fatalities and Permanent Total Disabilities are included in the calculation of the total the number of the Lost Time Injuries.

Lost Time Injury Frequency Rate (LTIFR)

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

Lost Workdays (LWD)

The total number of calendar days on which the injured person was temporarily unable to work as a result of a Lost Time Injury. In the case of a Fatality or Permanent Total Disability no Lost Workdays are recorded. If the Fatality occurs after several Lost Workdays, both the Fatality and the Lost Workdays have to be computed.

LSC Fuel Oil

Low Sulphur Content fuel oil: it refers to the fuel oil with low sulphur percentage <1% used for the Company activity. The quantities shall be indicated distinguishing the different purposes oil has been used for.

Medical Treatment Case (MTC)

Term to define any work-related injury (infected wounds, application of stitches, embedded foreign bodies in the eyes, second and third degree burns, etc.) that involves neither Lost Workdays nor Restricted Workdays but which requires repeated treatment by, or under the specific order of a physician or could be considered as being in the province of a physician. Medical Treatment does not include First Aid even if this is provided by a physician or registered professional personnel.

Near Miss

It is a hazardous Event/Incident which, under slightly different circumstances, could have caused an Accident affecting even people, environment or assets.

Non-hazardous Waste

In accordance with the Corporate Standard STD-COR-HSE-003, it includes: Stainless Steel; Ferrous metal refuses/waste; Non-ferrous metal refuses/waste; Paper

and cardboard; Wood; Glass; Plastic; Rubber; Absorbents, filtering materials, rags, protective clothing; Waste (muds, etc.) from Supplying Water treatment plants; Other photographic waste (photographic paper and films, cameras, etc.); Worn out printing toner (cartridges included); Waste from ships holds cleaning; Soil, rocks, dredging materials; Mixed urban waste; Used tyres; Cooking organic waste; Styrofoam; Mixed construction waste (bricks, concrete, etc.).

Offshore sites

Offshore Work-sites and facilities where operations are carried out such as: Mobile offshore drilling units, Drilling Jack-ups, Pipeline Barges and Vessels, Crane Barges and Vessels, Pontoons, etc., hired or owned by Company/Branch for the execution of the Company contractual scope of work. The vessel to be considered must be part of the Saipem Group Assets.

Onshore sites

Onshore Work-sites and facilities where operations are carried out such as: onshore drilling rigs, pipeline yards, construction yards, maintenance and/or repair yards or shipyards, logistic bases, etc., owned by Company/Branch for the execution of the Company contractual scope of work.

Road Traffic Accident (RTA)

Any Accident involving a Company or Contractor/Sub-Contractor's vehicle during travels in course of employment. RTA has to be reported in the 'Monthly Safety Statistical Report' (Form: COR-HSE-048-E) regardless the occupant of the vehicle sustained an injury or not. When one or more occupants sustain a personal injury, the RTA has to be recorded as mentioned above and the relevant Event (i.e. LTI) has to be reported using the 'Accident Investigation Report' (Form: COR-HSE-047-E).

Safety/Hazard Observation Card

It is a generic term, used to identify all the situations, conditions observed and reported by the personnel employed in a Project or Site. Observation reported are always dealt with immediately after notification, solved by means of short-term action and recorded.

Self generated energy

It refers to energy produced internally, from either renewable or non-renewable sources.

Severity Rate (SR)

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

S-Lay method

S-Lay is a pipelaying method. It takes his name from the suspended shape of the pipe at the end of the barge, which lays in a gentle 'S' from the stinger to the seabed. There have been four generations of lay-barges and the vessels are of two types: anchor and dynamically positioned (DP).

Stakeholder

A company stakeholder is a party who affects, or can be affected by, the company's actions, such as: Employees; Customers; Shareholders; Suppliers; Labour unions; Government regulatory agencies; NGOs and other advocacy groups; Local and national communities; Competitors.

Toolbox Talks - TBT

Brief (10-15 minutes) meetings, focused on particular safety issues, conducted prior to work commencing by a supervising person whose responsibility is to assure that the appropriate information is given to promote awareness and understanding of all the potential hazards which may affect the safe and efficient job completion.

Total Recordable Incidents (TRI)

Term to define the sum of Lost Time Injuries (including Fatalities and Permanent Disability Cases), Work Restricted Cases and Medical Treatment Cases.

Total Recordable Incident Frequency Rate (TRIFR)

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

Work Related

A case is Work Related any time it occurs within the Site Boundaries and within the working time (normal or overtime). An event is also considered Work Related when the exposure in the working environment is the discernible cause or contribute to an injury or significantly aggravates a pre-existing injury. The work environment includes the Site Boundaries and other locations where one or more Company and Contractor employees are present as a condition of their employment. Work Related are also all those Events involving Company personnel when working within a Third Party Site (i.e. Inspectors, Surveyors, Auditors, etc.).

Work Restricted Case (WRC)

Term to define any work-related injury not resulting in days away from work, which renders the injured person unable to perform at normal capacity all or part of his regular job any day after the day in which the injury occurred. In a WRC the injured person is temporarily assigned to another job or excused from performing certain parts of his normal duty. An injury can be classified as WRC only upon written non objection statement of the injured person.

ABBREVIATIONS AND SYMBOLS USED IN THE REPORT

/d: per day

/year: per year

€: euro

AMOS: Asset Management Operating System

B: billion

BOD: biological oxygen demand

COD: chemical oxygen demand

FEED: Front End Engineering Development

FPSO: Floating Production, Storage and Offloading vessel

GHG: greenhouse gas

GRI: Global Reporting Initiative

HSE: Health Safety Environment

HAZID: Hazard Identification

HAZOP: HAZard and OPerability analysis

IPIECA: International Petroleum Industry Environmental Conservation Association

kboe/d: thousand barrels of oil equivalent per day

ktoe: thousand metric tons of oil equivalent

LTIR: Lost Time Injury Rate

M: million

MTCDE: million tonnes carbon dioxide equivalent

MW: megawatt

kWp: kiloWatt peak

NMVOCs: Non methanic volatile organic compounds

PDA: Personal Digital Assistance (Personal Handset)

PM: particulate matter

ppm: parts per million

SR: Severity Rate

toe: tonnes of oil equivalent

TRIFR: Total Recordable Incident Frequency Rate

TSS: Total Suspended Solids

VOC: volatile organic compounds

WRC: Work Restricted Case

Assurance Statement



Advisory

ASSURANCE STATEMENT

To the Shareholders of
Saipem SpA

- 1 We have carried out some testing and analysis of compliance of the Sustainability Report 2008 (hereinafter "Report") of Saipem Group (hereinafter "Saipem") as of 31 December 2008 following the procedures summarized in paragraph 3 of the present document.
- 2 Our work has been conducted in accordance with the principles and guidelines established by the "International Standard on Assurance Engagements 3000" (ISAE3000) as presented by the International Auditing and Assurance Standards Board (IAASB), applicable to this engagement. Our work has been performed with the aim of verifying, in accordance with limited assurance engagement principles, the Board of Directors' statement included in the paragraph "Methodology". This paragraph states that the Report has been drawn up in respect of principles specifically adopted to define its content and to guarantee its quality. The Board of Directors of Saipem is fully responsible for the contents of the Report completed in accordance with the above mentioned principles. Our responsibility is attesting compliance to them.
- 3 In order to evaluate the Board of Directors' statement mentioned in paragraph 2, we performed the following verification procedures:
 - adherence and correspondence of economic and financial information to those reported in the Saipem Group consolidated Financial Statements as of 31 December 2008;
 - analysis of the set up of the governance and management system in place, connected with sustainable development issues and regarding the strategy and the operations of Saipem;
 - analysis of the methodology of obtaining data and management of quantitative and qualitative data, through:
 - meetings with management representatives from the department responsible of drawing up the Report, in order to achieve a general understanding of the process developed and of the information systems used for information and data collection and analysis;
 - meetings with management representatives from Saipem SpA, Saipem SA and Saipem Contracting Nigeria Ltd in order to achieve a general understanding of procedures supporting the collection.

PricewaterhouseCoopers Advisory Srl

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the consolidation and the subsequent management of data transmitted to the department responsible for drawing up the Report;

- On-site verification of Fano Engineering Hub (Italy);
 - On-site verification of Paris Engineering Hub (France);
 - On-site verification of Rumuolumeni Fabrication Yard (Nigeria);
- analysis, on a sample basis, of the documentation supporting the Report in order to confirm the reliability of data and information collected through meetings, interviews and on-site verification and to confirm they were properly managed;
 - analysis on the completeness and internal consistency of the qualitative information included in the Report;
 - verification of the dialogue activities with Stakeholders, with reference to the methodology used and to the analysis and correspondence of internal minutes with the information included in the Report;
 - obtaining a representation letter signed by the legal representative of Saipem SpA relating to the completeness and reliability of the Report and of the information and data included in it, as well as to the compliance with principles adopted and planning activity performed.
- 4 As for the results of assurance activities regarding 2007 data and information included in the Report for comparison purposes, please refer to the assurance statement we issued on 7 April 2008.
- 5 Based on the procedures carried out, nothing has come to our attention that causes us to believe that the Sustainability Report 2008 as of 31 December 2008 is not in compliance with the principles stated in the paragraph "Methodology". The economic and financial data included in the Report correspond to those reported in the Saipem Group consolidated Financial Statements as of 31 December 2008 and the other data and information are consistent with the internal documentation provided.

Milan, 6 April 2009

PricewaterhouseCoopers Advisory Srl

Paolo Bersani
(Partner)

More on Saipem

This report is part of Saipem's communication program for sustainability disclosure. For further details of our sustainability program, please see the Saipem website www.saipem.it, where you can find the following mentioned publications in downloadable form.

Sustainability Case Studies

Azerbaijan



The benefits that Saipem's operations have brought to the development of the ACG Project (Azeri-Chirag-Guneshli) in terms of socio-economic and environmental development. Favouring local suppliers and subcontractors, the involvement of local personnel

and their professional development, the environmental, health and safety management.

Kazakhstan



Saipem activities in Kazakhstan through the analysis of the Karachaganak project: from the involvement of Kazakh personnel to their professional training and health care. From stakeholders' relations to the project's contribution to the local economy and from the

management of environmental issues to the company's commitment to safety.

Nigeria



Saipem's historic presence in Nigeria, current and future Group projects, the development of local content, their HSE management, the commitment to local purchasing and their relationship with the community.

Peru



Integration of Petrex SA with description of the Country, the medical and social care of its employees, HSE performance and the analysis of the direct and indirect financial impact of its activity.

Oman



The MSCP project developed in Oman represented for Saipem an opportunity to evaluate, monitor and promote the impacts on the local context in term of environmental care, local content development and stakeholders relations.

Asia Pacific



Saipem is developing many and interesting projects in the Asia Pacific regions and this case study aims to analyse its environmental and socio-economic approach, underlining project peculiarity in term of sustainability.

Angola



Angola case study describes the integration strategy Saipem is adopting within the Country thanks to the settled fabrication yards and the growing number of Angolans involved in the operations.

ERSAI



The first Company Sustainability case study, it describes ERS AI's approach and commitment to sustainable development.

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saipem

saipem Società per Azioni
Capital stock: €441,410,900 fully paid
Tax identification number and Milan Companies' Register
No. 00825790157

Feedback

What you think of the Saipem Sustainability Report matters to us. As we are constantly striving to improve our reporting, we would very much welcome your feedback. We will also be happy to answer any questions you may have.

Contact
sustainability@saipem.eni.it

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

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