



COUNTRY SUSTAINABILITY REPORT INDONESIA



ABOUT THIS COUNTRY REPORT

This Report is part of a series of Local Sustainability Reports that Saipem began publishing in 2003 as 'Sustainability Case Studies' with the purpose of underlining the importance the Company ascribes to local business sustainability.

These Reports are also submitted to the relevant stakeholders, so they can assess the sustainability approach Saipem adopts in their respective areas.

A Country Report describes the principles, activities and performance of Saipem in relation to sustainable development in the country. It is designed to provide easy access to key indicators and information and is divided into two parts: the first provides an overview of Saipem and its business around the world, while the second introduces the country, and discusses Saipem's presence, sustainability approach and sustainability performance within it.

Along with the annual Sustainability Reports and the Project Sustainability Reports, the Country Sustainability Reports represent the main tools adopted by Saipem to communicate to all stakeholders the Company's commitment and performance with regard to sustainability.

This Report has been drafted in line with the principles of materiality, stakeholder inclusiveness, sustainability context and completeness as defined in the Global Reporting Initiative (GRI) version G3.0.

The document aims to describe Saipem's performance and its engagement with stakeholders in Indonesia.

A set of Key Performance Indicators (KPIs) was selected to bolster the information provided to stakeholders.

The consolidation perimeter is based on the principles adopted for financial reporting and annual sustainability reporting and refers to all projects conducted by Saipem SpA and its Operating Companies in Indonesia.

Data are calculated according to the operational criterion, meaning that operations in which Saipem SpA or one of its subsidiaries in Indonesia exercises operational control are reported 100%. Data for the Company's performance reported in the document have been drawn from the management and reporting systems used by the various Company functions involved in the reporting process. Data are reported for the 2013 financial year and, when appropriate, also for previous financial years.

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MESSAGE FROM THE CEO



Umberto Vergine

Saipem is an international Oil & Gas contractor with approximately 48,000 employees and operations in more than 60 countries. Saipem plays a significant role in its market sector and contributes substantially to the economic development of the countries in which it operates.

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

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

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

MISSION

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

LETTER FROM THE MANAGEMENT

It is hard to talk about sustainability in a country where every day you can experience the friction between the strong economic growth rate, on the one hand, and the need for sustainable social development for a young and large population, on the other. In such circumstances, where the challenges are more difficult, we at Saipem know how to perform at our best. We have taken up the challenge, one of the most important we face in our work, to grow and strive to be the best, while at all times focusing on sustainability and on the health, safety and welfare of our employees.

This characteristic has distinguished our presence in Indonesia for over 15 years. It includes training and development programmes for our young graduates, support for the welfare of our workers, integration, and serious engagement with our partners. An example and demonstration of commitment during our recent history in the country is the Karimun venture, where we have been able to show what it means to merge the technological and organisational challenge of a yard with the presence of a community far from the world of Oil&Gas platform fabrication.

Recently, Eni Indonesia has awarded a consortium led by PT Saipem Indonesia the EPCI contract for a new built barge Floating Production Unit (FPU) for the Jangkrik Complex Project development. The consortium is formed by Hyundai Heavy Industries Ltd (HHI) and the joint venture between PT Saipem Indonesia, Tripatra Engineers & Constructors and Chiyoda.

The Jangkrik FPU project is carried out from the Saipem Execution Centre in Jakarta. Topside fabrication activities will be carried out in Saipem's Karimun Island Yard, also located in Indonesia, while the hull will be fabricated in HHI's offshore yard in Ulsan, South Korea. This an extraordinary example of how Saipem's presence in Indonesia can lead to a significant development in the competence and skills of local employees.

Today in Indonesia our presence goes beyond Local Content for the business of the country, and aims, rather, to establish stable and long-term prospects for the entire area of Southeast Asia.

Carmine Ferraro
Managing Director PT Saipem Indonesia



Overview of Saipem in Indonesia

Saipem has been operating in Indonesia since 1995.

Nowadays it is represented by PT Saipem Indonesia, whose head office is based in Jakarta, with a Branch in Karimun Island, where a Fabrication Yard, now the biggest in the Southeast Asia, has been built.

2,006

local employees in 2013

453 million USD

economic output generated in Indonesia in the period 2011-2012

151 million USD

social value created in Karimun Island associated with the investment in construction of the Fabrication Yard (value created over and above Saipem's investment)



PT Saipem Indonesia Karimun Branch (SIKB) considers sustainability as a means to ensure long-term growth and value creation for its stakeholders in Karimun Island and an opportunity for the Company to gain and maintain fruitful and positive relations with local communities and local stakeholders. It is my strong belief that a sustainable business and, especially, the maximisation of Local Content are key success factors of our activities. In particular, the growth of local business and the fostering of local entrepreneurship is at the top of our agenda. Recent socio-economic studies have confirmed with figures and data the highly positive economic return for local communities resulting from Saipem's

presence in Karimun.

SIKB is also privileging the employment and integration into the organisation of young, enthusiastic local Karimun people. Massive training protocols and internships, which are part of the programme 'Training Today for our Recruitment Tomorrow', have been implemented with a view to selecting, training and recruiting resources such as welders, fitters, planners, technicians and staff needed by Saipem yard for the execution of present and future activities.

Among these initiatives, several apprenticeship courses for young graduates are conducted inside Saipem Fabrication Yard, in cooperation with local and nearby universities. These courses facilitate the development of skills and competences that will reinforce and deeply root Saipem's presence and know-how in Karimun. As an example, the SIKB training school is operational with already 361 qualified welders and 243 pipe and steel fitters.

Moreover, particular attention has been focused on awareness programmes in local schools and on supporting the Pangke Village community. I consider the involvement of the surrounding local communities as the best way to contribute to their wellbeing and development and to integrate SIKB into the local context. New additional programmes of cooperation with the local communities will be proposed in 2015, mainly focusing on the development of an industrial culture and reinforcing cooperation with local authorities.

Their implementation will make us even prouder than before, aware that no boundaries exist between Saipem and local communities.

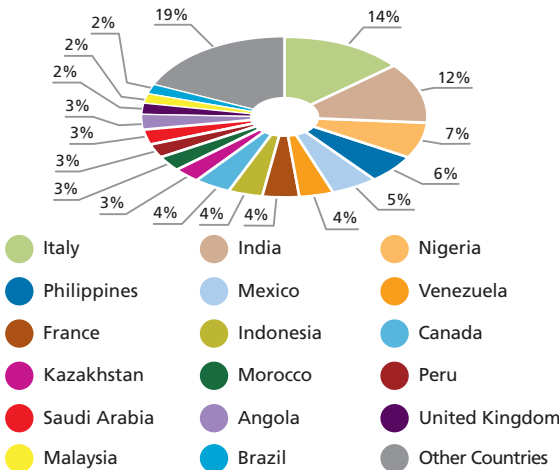
Ernesto De Franco
Branch Manager PT Saipem Indonesia Karimun Branch

INTRODUCTION TO SAIPEM

Saipem is an international group with a strong bias towards Oil & Gas related activities in remote and deepwater areas. The Company began operations in the 1950s and is now a leader in the

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

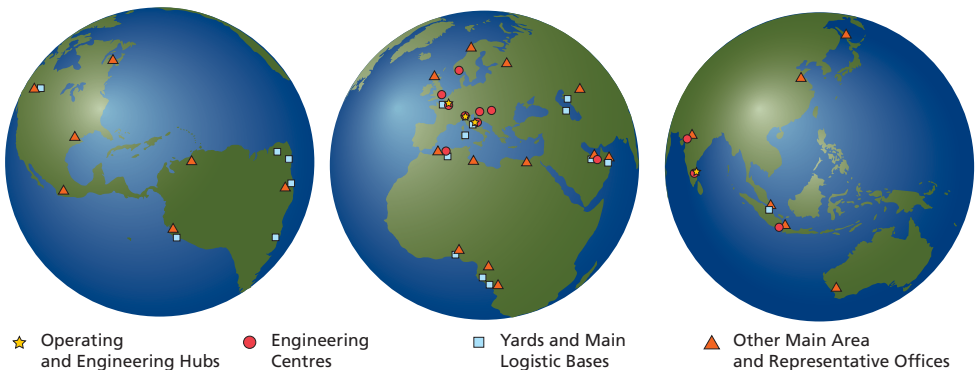
Saipem workforce distribution by nationality (2013)



Saipem operates in the Engineering & Construction and Drilling businesses. It enjoys a superior competitive position for the provision of EPC/EPCI services to the oil industry both onshore and offshore, with a particular focus on the toughest and most technologically challenging projects – activities in remote areas, deepwaters and ‘difficult’ oil.

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

Saipem is an international company employing over 52,000 people from approximately 126 nationalities (2013). The majority of the Group’s human resources (77% in 2013) are locally employed.



SAIPEM'S SUSTAINABILITY APPROACH

Saipem believes that a correct, open and cooperative relationship with all stakeholders is vital for the success of a project. Saipem is present in many locations around the world and operates with a decentralised organisational structure in order to respond to local needs and sustainability requirements.

Wherever it works, the Company plays an active role in local communities by offering employment opportunities and personnel training, working effectively with local suppliers and subcontractors, creating economic and social value and, finally, contributing to infrastructures

such as access roads, and construction camps with facilities such as hospitals, power generators, and so forth.

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

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



SAIPEM AT A GLANCE

Saipem has world class engineering and project management expertise together with a strong, technologically advanced and highly versatile fleet. The Company operates in the Engineering & Construction and Drilling businesses.

Onshore, Saipem mainly serves the Oil & Gas segments, the refining and petrochemical markets, as well as a number of diversified industrial markets such as infrastructures (i.e. high speed railways, port facilities and marine terminals) and environment (especially remediation of soil, ground water and contaminated sites).

Saipem offers a complete range of services, from feasibility and front-end studies to design, engineering, procurement and field construction, most often on an EPC (Engineering, Procurement and Construction) and LSTK (Lump Sum Turn Key) contractual basis, for complex Oil & Gas facilities, including production, treatment, liquefaction, refining and petrochemical plants, as well as for Oil & Gas transportation systems, such as pipelines, pumping and compression stations and terminals.

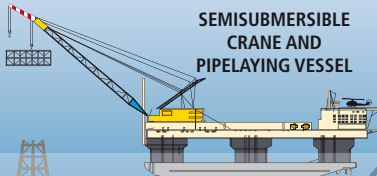
Saipem's expertise focuses on the design and execution of large projects with a high degree of complexity in terms of engineering, technology and project management, with a strong bias towards challenging projects in the most difficult environments and remote areas.

Saipem has designed and built numerous 'mega' Oil & Gas production facilities, 36 grass-roots refineries and more than 500 individual refining process units, as well as more than 400 plants worldwide for the production of chemicals from natural gas, including the world's largest ammonia/urea complexes.

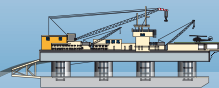
In particular, land pipeline design and construction has historically been one of the mainstays of Saipem's business. The Company has laid a record of over 60,000 km of gas pipelines, 30,000 km of oil and product pipelines and 1,400 km of water pipelines on five continents.

In recent years, the Company has designed and constructed more than 40 power plants (over 10,000 MW) and four Integrated Gasification Combined Cycle plants, two of which are the world's largest (power output of about 550 MW each).

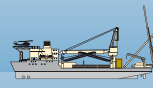
The Company's offshore activities include the installation of platforms, marine terminals and pipelines, as well as the development of deepwater fields, while its experience in undertaking EPCI (Engineering, Procurement, Construction and Installation) projects includes trunklines, export pipelines, infield flowlines, pipe-in-pipe systems, bundles, tie-ins and riser systems for the transportation of oil, gas and multi-phase products from depths in excess of 2,000 metres.



SEMISUBMERSIBLE PIPELAYING VESSEL



J-LAYING VESSEL



DRILL SHIP



With a fleet of over 40 construction vessels, Saipem is a leader in deepwater and shallow water pipelaying and platform installation with more than 30,000 km of sealines and more than 2.5 million tonnes of offshore structures installed. The Company has completed more than 100 major EPCI projects, including several challenging large-scale integrated complexes and is also involved in the construction of marine terminals, mooring systems with conventional buoys, wharfs and jetties. All of this is complemented by significant fabrication capabilities based in the heart of major Oil & Gas provinces such as Angola, Canada, Republic of the Congo, Kazakhstan, Nigeria, United Arab Emirates, the Mediterranean Sea, Indonesia and Brazil (under construction), with an aggregate in-house fabrication capacity of over 250,000 tonnes per year.

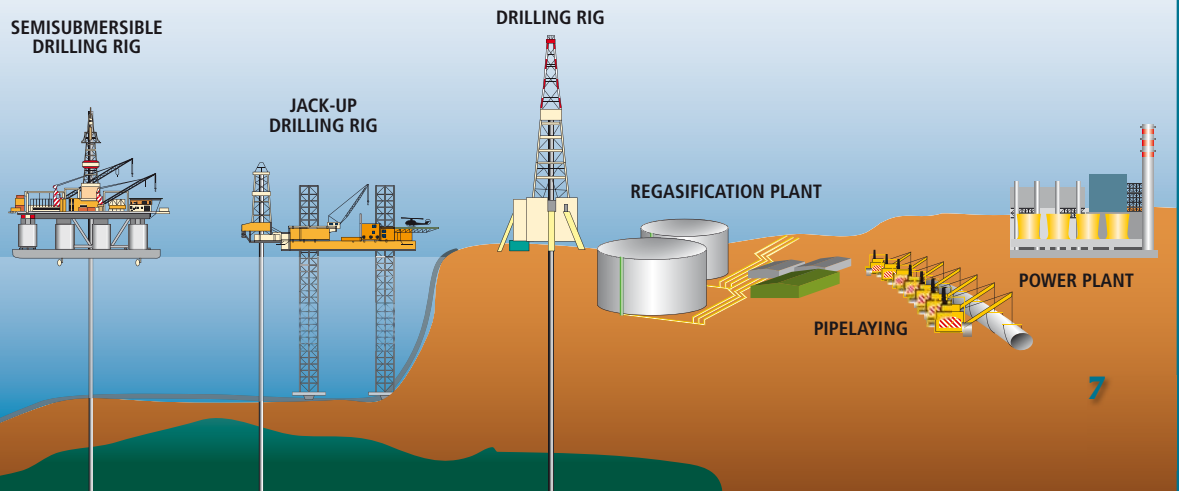
In addition, the design, construction or conversion of floating production units has become one of Saipem's main business activities since the early nineties. Thanks to the development of competitive technical solutions, relationships with key players and presence in strategic markets, together with its unique EPCI experience and track record of four new-builds and seven conversion projects, Saipem has become a reliable general contractor

for the provision of floating solutions worldwide.

As an international drilling contractor operating in some of the harshest onshore and offshore environments, Saipem is presently contracted to major oil companies in many of the Oil & Gas industry's 'hotspots', carrying out important drilling programmes in Europe, the Commonwealth of Independent States (CIS), North and West Africa, the Middle and Far East and the Americas.

Saipem's vast experience in managing drilling activities, coupled with its strong technological and operational expertise, have enabled the Company to build a proven capability and a global reputation in the industry. In Offshore Drilling, the Company boasts an extensive fleet with six jack-ups, a Tender Assisted Drilling Barge, seven semisubmersible drilling rigs and two drillships (the Saipem 10000 and the Saipem 12000) which can operate at depths of up to 10,000 and 12,000 feet, respectively, while in the onshore sector, Saipem owns in the region of 100 drill and workover rigs.

Over the decades, Saipem has drilled more than 7,300 wells (1,800 of which offshore), totalling an overall depth of about 18.5 million metres, and has been involved in the workover of hundreds of wells.



SAIPEM IN THE WORLD

EUROPE		2011	2012	2013
Revenues	(€ million)	1,938	1,781	1,593
Investments	(€ million)	78	31	34
Workforce	(units)	10,410	11,133	10,364
Local Workforce	(% of total)	81	75	84
Energy consumption	(ktoe)	72	98	74
HSE Training	(hours)	86,465	129,309	55,655

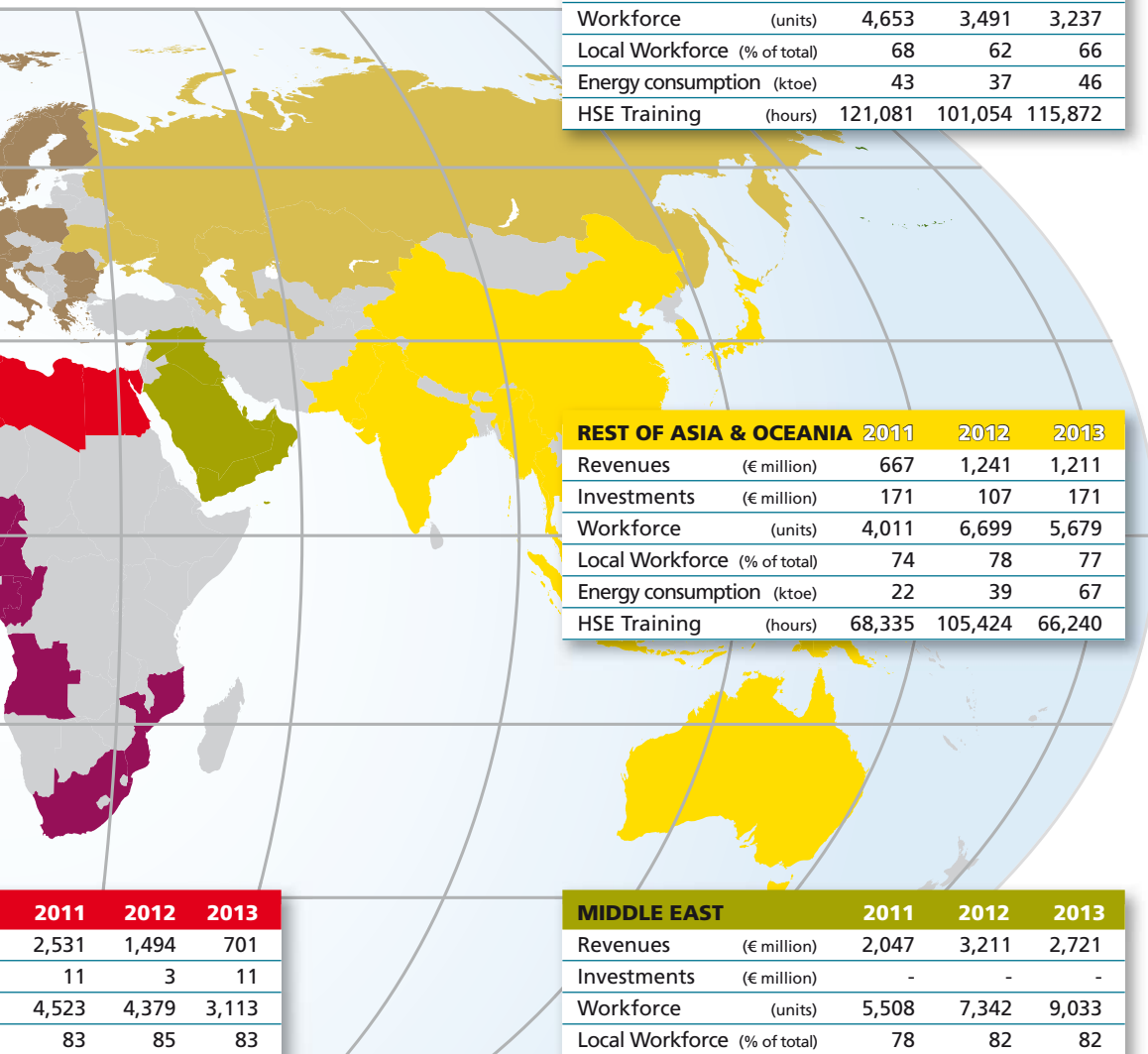
AMERICAS		2011	2012	2013
Revenues	(€ million)	1,009	1,808	2,371
Investments	(€ million)	158	136	256
Workforce	(units)	6,665	7,825	12,168
Local Workforce	(% of total)	87	88	84
Energy consumption	(ktoe)	82	101	115
HSE Training	(hours)	204,199	225,351	241,955

CENTRAL & SOUTH AFRICA		2011	2012	2013
Revenues	(€ million)	2,692	2,482	2,392
Investments	(€ million)	16	8	19
Workforce	(units)	8,462	7,586	8,563
Local Workforce	(% of total)	62	64	58
Energy consumption	(ktoe)	107	84	112
HSE Training	(hours)	170,316	146,551	104,332

NORTH AFRICA		2011	2012	2013
Revenues	(€ million)			
Investments	(€ million)			
Workforce	(units)			
Local Workforce	(% of total)			
Energy consumption	(ktoe)			
HSE Training	(hours)			

Additional data for investments

Further investments not allocated to a specific area amounted to €738 million in 2011, €717 million in 2012 and €400 million in 2013.



CIS		2011	2012	2013
Revenues	(€ million)	1,709	1,352	1,267
Investments	(€ million)	27	13	17
Workforce	(units)	4,653	3,491	3,237
Local Workforce	(% of total)	68	62	66
Energy consumption	(ktoe)	43	37	46
HSE Training	(hours)	121,081	101,054	115,872

REST OF ASIA & OCEANIA		2011	2012	2013
Revenues	(€ million)	667	1,241	1,211
Investments	(€ million)	171	107	171
Workforce	(units)	4,011	6,699	5,679
Local Workforce	(% of total)	74	78	77
Energy consumption	(ktoe)	22	39	67
HSE Training	(hours)	68,335	105,424	66,240

2011	2012	2013
2,531	1,494	701
11	3	11
4,523	4,379	3,113
83	85	83
73	66	27
155,568	123,113	34,825

MIDDLE EAST		2011	2012	2013
Revenues	(€ million)	2,047	3,211	2,721
Investments	(€ million)	-	-	-
Workforce	(units)	5,508	7,342	9,033
Local Workforce	(% of total)	78	82	82
Energy consumption	(ktoe)	129	168	180
HSE Training	(hours)	383,856	856,456	904,532

INDONESIA



COUNTRY OVERVIEW

Indonesia is a country in Southeast Asia, located along the equator between the Pacific and Indian Oceans. Consisting of 17,508 islands, Indonesia is the largest archipelago country in the world.

With a population of 237 million people in 2010, Indonesia is the fourth most populous country in the world and the country with the largest Muslim

population. Indonesia is a republic, where the House of Representatives and the President are directly elected. The capital city is Jakarta. Indonesia shares borders with Malaysia on Borneo Island, with Papua New Guinea on Papua Island, and with East Timor on Timor Island. Other neighbouring countries include Singapore, the Philippines, Australia, and the union territory of the

Andaman and Nicobar Islands in India. Following the achievement of independence at the end of World War II, Indonesia faced several challenges related to the process of democratisation and the period of rapid economic change, but also instances of corruption, separatism and natural disasters.
Source: Indonesia Government Official Portal – updated 2010 (<http://indonesia.go.id/>).

ECONOMY

Indonesia has the largest economy in Southeast Asia, one of the emerging market economies of the world, and has one in the largest Oil&Gas reserves in Asia. Indonesia's oil, gas and mining industries are mainly concentrated in the Sumatra, Kalimantan, East Java and Papua provinces.

Indonesia has been active in the Oil&Gas sector for more than 125 years after its first oil discovery in North Sumatra in 1885, and continues to be a significant player in the international Oil&Gas industry. As of early 2008, the country's proven oil reserves totalled 3.7 billion barrels and potential reserves reached 4.5 billion barrels. The country's gas reserves

Economic indicators (2012)

Gross Domestic Product (GDP) (current prices) ^(a)	(trillion USD)	1.2
GDP per capita (current prices) ^(a)	(USD)	3,557
GDP growth ^(b)	(annual %)	6.2
GDP by sector (2011) ^(b) :		
Industry	(% of GDP)	47
<i>of which manufacturing</i>	(% of GDP)	24
Agriculture	(% of GDP)	15
Services	(% of GDP)	38
Inflation rate ^(a)	(%)	4.3
Export of goods and services ^(a)	(billion USD)	187
Labour force ^(a)	(million units)	118

Source:

(a) CIA World Fact Book 2013 (<http://cia-world-fact-book.findthedata.org/882/Indonesia>).

(b) World Bank (<http://databank.worldbank.org>).



Sunset in Indonesia

totalled 170.07 trillion standard cubic feet (tscf) including 112.47 tscf in proven reserves and 57.60 tscf in potential reserves. Most of the known Oil&Gas reserves are in the western part of the country, especially Java, Sumatra and Kalimantan, although major gas reserves have been found in Papua and off Massela in southern Maluku. Two state agencies regulate the Oil&Gas industry. The Executive Body

for Upstream Oil&Gas Activities (SKK Migas/Satuan Kerja Khusus Pelaksana Kegiatan Usaha Hulu Minyak dan Gas Bumi, previously known as BPMigas) oversees Oil&Gas exploration and exploitation. BPHMigas (Badan Pengatur Hilir Minyak Bumi dan Gas) regulates downstream Oil&Gas activities (processing, transport, storage and commercial activities). Exploration contracts are governed by

Energy data (2011)

Energy production	(ktoe)	394,572
Electricity production	(kWh)	182 billion
Electricity production from natural gas	(% of total installed)	20
Electricity production from coal	(% of total installed)	45
Electricity production from oil	(% of total installed)	23
Electricity production from hydroelectric sources	(% of total installed)	7
Electricity production from renewable sources	(% of total installed)	5
Access to electricity (2010)	(% of population)	73
Electric power consumption per capita	(kWh per capita)	680
Energy use per capita	(toe per capita)	857

Source: World Bank (<http://data.worldbank.org>).

the Production Sharing Contract (PSC) with production split 75% for the government and 25% for the investor, according to Presidential Decree No. 55/2009 and the new regulation issued in 2010 regarding cost recovery and tax in the upstream sector (Government Regulation No. 79/2010). Despite its sizeable reserves, the rising domestic demand and the decline in production due to the aging of oil fields have resulted in a drop in gas exports. Nowadays, Indonesia is becoming a net oil importer. To prevent the steady decline in production, the government is offering new exploration rights and financial incentives.

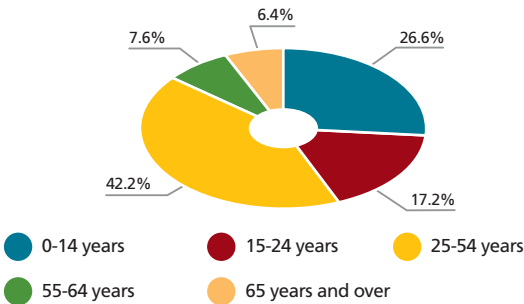
Indonesia's Oil&Gas industry continues to be a vital part of its economy. It is an important contributor to government export revenues and foreign exchange

and is the largest contributor to state revenues. However, as Oil&Gas development has slowed down, state revenues from the sector have declined. In 2011 revenues from the Oil&Gas industry contributed to more than 20% of the domestic revenues, a significant increase from previous years (2009-2010) but far from the 1990 period when the contribution from the upstream industry represented more than 40% of total government revenues.

In 2009 investment levels in the Oil&Gas industry decreased by almost 11% from 12,096 billion US dollars (USD) in 2008 to 10,874 billion USD in 2009. Later on, investments started to rise again to 11,031 billion USD and 13,703 billion USD in 2011. This rise is a reflection of increasing investor confidence in Indonesia's Oil&Gas sector. Additionally, the number of PSCs signed by the government increased from 18 in 2009 to 31 in 2011.

Sources: *An Investment Guide to Indonesia*, Canadian TCS.
Oil and Gas in Indonesia, PWC.

Population age structure



Source: CIA World Fact Book 2013 (<http://cia-world-fact-book.findthedata.org/1882/Indonesia>).

SOCIAL OVERVIEW

Stretching from Sabang to Merauke, Indonesia consists of various ethnic, linguistic and religious diversities. The Javanese are the largest ethnic group. Indonesia's national motto 'Bhinneka

Social indicators (2013)

Population growth rate ^(a)	(%)	0.99
Population density ^(b)	(people per square km of land area)	135
Urban population (2011) ^(a)	(% of total)	50.7
Literacy rate ^(a)	(% of people aged 15 and above)	92.8
Life expectancy at birth ^(a)	(years)	71.9
Mobile cellular subscriptions (2011) ^(a)	(million units)	249.8
Fixed broadband Internet subscribers (2009) ^(a)	(million units)	20

Source:
(a) CIA World Fact Book 2013 (<http://cia-world-fact-book.findthedata.org/1882/Indonesia>).
(b) World Bank (<http://databank.worldbank.org>).



Young women
in Jakarta

Tunggal Ika' ('Unity in Diversity') reflects the country's multi-culturality.

Though absolute poverty is declining, 40% of the Indonesian population remains highly vulnerable to sudden events that threaten to push them into hardship. In 2011, 12.5% of Indonesians lived below the national poverty line, but a large portion of the population is clustered just above it. The government of Indonesia has developed several household-based social assistance programmes targeting the poor and near-poor. These have provided some protection for the poor and vulnerable. Indonesia also has a range of complementary programmes and policies that extend beyond the household to 'protect and promote' the poor and vulnerable, including community driven development programmes, job creation and employment strategies, and plans for social security.

Source: Targeting Poor and Vulnerable Households in Indonesia, World Bank, 2012.

ENVIRONMENT

Besides having a large population and densely-populated regions, Indonesia possesses a natural area that supports the second highest level of biodiversity in the world. Consisting of more than 17,000 islands, Indonesia supports an

incredible biodiversity of animal and plant life in its pristine rain forests and its rich coastal and marine areas. Up to 3,305 known species of amphibians, birds, mammals and reptiles and at least 29,375 species of vascular plants are endemic to the islands. Indonesia's environment is facing challenges from natural phenomena (it is located in the highly seismic Pacific Ring of Fire, which experiences 90% of the world's earthquakes) and human activity (deforestation, wildlife trade, over-fishing and pollution).

The UN FAO estimated that Indonesia lost a massive 1.87 million hectares of forest every year between 2000 and 2005. Deforestation of an area implies a range of serious impacts, including (amongst many other things) habitat loss for endangered species such as the Sumatran rhino and orang-utans, loss of livelihood for forest people and loss of revenues for local and central governments. One cause is global demand for wood pulp and palm oil, and the resulting clearance of forests for plantations. Palm oil is now considered a major source of income for Indonesia and for more than 3.5 million people working in this sub-sector. Another cause of Indonesia's massive rate of deforestation is global demand for timber.

Wildlife over-exploitation is severe in Indonesia. It is estimated that around 1,000 orang-utans were exported to

Environmental indicators

Country area	(km ²)	1,904,569
Protected area	(% terrestrial area)	14.1
Forested area	(% land area)	52
CO ₂ emissions (2010)	(thousand tonnes CO ₂ eq.)	433,989
CO ₂ emissions per capita (2010)	(tonnes CO ₂ eq./capita)	1.8
Renewable internal freshwater resources per capita	(cubic metres)	8,741
Annual freshwater withdrawals, total	(% of internal resource)	6
Annual freshwater withdrawals, by sector:		
Agriculture	(% of total)	82
Industry	(% of total)	6
Domestic	(% of total)	12

Source: The World Bank Data (<http://data.worldbank.org>).

other countries for pet trade between 1985 and 1990, while the naturally rare and endangered humphead wrasse is illegally exported to high-end restaurants as a prized delicacy. Other species are at risk because they are traded for traditional medicines (e.g. tiger bone and rhinoceros horn) or for decorative objects (e.g. scales from hawksbill turtles).

A large part of Indonesia's capture fisheries are fully or overexploited. Bad fishery practices further increase the problem. Cyanide and blast fishing on coral reefs has not only degraded the ecosystems, but has also affected the vast number of marine species that depend on them.

About 96% of Indonesians live within 100 km of the coast, placing huge stress on the country's coastal environment.

Rapid economic development, particularly around major population centres, results in large amounts of sewage and industrial pollution, causing the decline of many reef areas, especially those near growing cities such as Jakarta, Ambon and Ujung Pandang. There are also environmental problems linked to rapid urbanisation and economic development, such as air pollution, traffic congestion, waste management, and reliable water and waste water services.

Source:

Environmental problems in Indonesia, WWF.

Indonesia consists of more than 17,000 islands



Karimun Regency

Karimun Regency is an archipelago area that consists of 250 large and small islands, of which only 57 are inhabited. The two largest islands of the Regency are Karimun and Kundur. The Regency is part of the Riau Archipelago Province and, due to its proximity to Singapore and Malaysia, has become a strategic location for national and international trade routes. The Free Trade Zone (FTZ) of Karimun Island is quite influential, especially as regards economic activity.

Based on the 2012 population registration, the total population of Karimun Regency is 280,949, consisting of 145,283 men and 135,666 women. Karimun Island accounts for about 55% of the entire population of the Regency. Most people live within or near Tanjung Balai, the main town of Karimun Island.

The amount of added value produced by all economic activities in Karimun Regency is measured by using Gross Regional Domestic Product (GRDP) indicators. The 2011 GDRP value based on current prices reached 4,813 billion Indonesian Rupiah (about 418 million USD), while the constant price reached 2,185 billion Indonesian Rupiah (about 190 million USD). In 2011, the largest economic mainstays for the Karimun Regency were agriculture (26%), trade, hotels and restaurants (26%), transportation and communication (13%), and manufacturing (9%). In 2011, Karimun Regency's economic growth was 7%, mainly supported by the construction, finance, manufacture and services sectors.

Most of the Island's local population is employed in the agricultural (crop, poultry and fishery) and mining industry. Some locals have been working in the nearby islands, Batam and Bintan, that are relatively more developed. The fishing sector is the most important sub-sector of agriculture.



Fishing in Karimun in 2012 reached 25,173 tonnes. The production volume and value of fishery exports increased continuously in 2011 and 2012, becoming one of the largest export volumes. In the few last years, the contribution of the mining sector to GDP of Karimun Regency has decreased due to reduction of granite mining and the prohibition of sand export which previously represented one of main mining commodities in the Regency, alongside granite and tin. In 2012, the number of industries was about 600, of which six medium/large manufacturing companies (food & beverage and transportation sectors), employing 3,000 overall.

The education system is well developed and the Regency has two universities, the University of Karimun and STIE Cakrawala, with about 2,000 students overall.

In an effort to increase the quality of public health, the government of the Regency has developed various infrastructures: there are 2 hospitals, 9 public health centres (puskesmas)

and 37 public health assistance centres.

Pangke Village is part of the Island's Meral District, with a total of 4,701 households. The population consists of 2,414 males and 2,287 females, with an average population growth of 3.6%. This limited percentage is due to the migration of workers for various industries and mining. With a total area of 194 km², the population density of Pangke Village is 25 people/km². Since December 2012, Pangke Village has been split into Pangke Village and West Pangke Village according to the plan of Karimun Regency to increase community services in line with the population growth, social economic development and health services. Each village will subsequently be divided into 4 Inhabitants Groups (RW) and 10 Neighbourhoods Groups (RT).

The livelihoods of the people are mostly generated from industrial activities, mainly granite mining and smelting. Another potential resource is Pelawan Beach, a resort for domestic and international tourists.

SAIPEM'S PRESENCE IN INDONESIA

Saipem has been operating in Indonesia since 1995. It is represented locally by PT Saipem Indonesia (PTSI), based in Jakarta, with a Branch in Karimun, where the Fabrication Yard is based. PTSI has maintained a strong presence in the Jakarta office in the last ten years with 350-450 employees. The Karimun Fabrication Yard is now the biggest in Southeast Asia and currently employs more than 2,000 personnel.

PTSI is oriented mainly towards offshore EPCI projects, onshore EPC projects and offshore drilling. The Company performed a number of major offshore EPCI projects in Indonesia and one offshore drilling project in 2010. Today, PTSI is a key player in the Oil&Gas industry in Indonesia, providing project management, engineering, procurement, construction, fabrication, installation and commissioning

Karimun Fabrication Yard

Construction of the new Fabrication Yard in Karimun Island started in 2007 and was completed in 2011. The functions of the Yard include fabrication for FPSO module

integration, fabrication of topsides, jackets, wellheads and ancillary structures items and the support of marine transportation activities. The Yard's main facilities include

pipng workshops, a fabrication workshop, blasting and painting sheds, an administration office, a training centre, a medical and firefighting centre and a logistic base.

Karimun Yard general information

Total area	(m ²)	1,300,000 (approx.)
Main Office Building (3 floors)	(m ²)	5,500
Estimated yearly production	(Mt)	35,000
Estimated yearly manhours	(m/hrs)	12,000,000
Estimated Manpower	(pax)	5,000 (operative) + 1,000 (Yard supporting)

Additional Information

Training Facilities	4 rooms for theoretical lessons and large equipped areas for practical lessons
Clinic	On 24/7 basis
Fire Fighting	2 fire-fighting trucks
Power Plant	3 power generation units totalling 11 MW
Accommodation	Studio and apartments with 268 beds + recreational facilities

Marine Base and Load Out Quays

2 Quays: North-South and East-West	450 m + 450 m length
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MAIN RECENT PROJECTS IN THE COUNTRY

Name	Start date	End date	Client	Project description
Jangkrik FPU	Feb. 2014	Ongoing	Eni Muara Bakau BV	EPCI contract for a new built barge FPU for the Jangkrik Complex Project development. The consortium is formed by Hyundai Heavy Industries Ltd and the joint venture between PT Saipem Indonesia, Tripatra Engineers & Constructors and Chiyoda.
Abadi Gas Field Development - FLNG	Jan. 2013	Ongoing	Inpex Masela Ltd	Front End Engineering Design of Floating Liquefied Natural Gas (FLNG) Facility with design capacity 2.5 MTPA.
Jangkrik Subsea & Pipelines	Jan. 2013	Jul. 2013	Eni Muara Bakau BV	Front End Engineering Design of Pipeline, Riser, Flowline and Onshore Receiving Facilities.
Jangkrik FPU	Oct. 2012	Apr. 2013	Eni Muara Bakau BV	Front End Engineering Design of New Built Barge Floating Production Unit.
Ruby Field Platforms T&I	Aug. 2011	Apr. 2013	Pearl Oil (Sebuku) Ltd	Transportation and Installation of Wellhead Platform and Process and Quarter Platform.
Naga Pelikan Field Development	Apr. 2012	Dec. 2012	Premier Oil Natuna Sea BV	Detail Engineering of Two fixed wellhead platforms of Naga and Pelikan tied into Gajah Baru Central Processing Platform.
Gajah Baru Development Project	May 2009	Oct. 2011	Premier Oil Natuna Sea BV	Engineering Procurement Construction and Installation of Gajah Baru Central Processing Platform and Gajah Baru Wellhead Platform bridge linked.
North Belut CPP T&I	Jun. 2007	Jun. 2009	ConocoPhillips Indonesia Inc Ltd	Transportation and installation of the North Belut Central Processing Platform (CPP) Topsides and associated works and services.
Drilling Rig Services	Dec. 2009	Dec. 2011	Eni Bukat Ltd	Provision of one Offshore Drilling Rig (Saipem 10000).

& start-up assistance as well as offshore drilling services.

ORGANISATION AND MANAGEMENT

PT Saipem Indonesia is run by a Managing Director reporting to Corporate. The MD is supported by several functions: Business Support, Organisation & ICT, Administration Finance & Control, Quality, Procurement, and HSE & Sustainability. For Operations, PT Saipem Indonesia has a structure including the following functions: Tendering, Commercial, Engineering, Fabrication & Post Order Services.

The PT Saipem Indonesia Karimun Branch is managed by a Branch Manager, reporting to the PTSI Managing Director. It has its own internal organisation reflecting that of the Operating Company in Jakarta. PT Saipem Indonesia has a Quality Management System certified according to ISO 9001:2008 standard. The Health, Safety and Environment (HSE) Management System of PT Saipem Indonesia is based on the Corporate Standard and Guidelines, as well as local regulations, and complies with the requirements of OHSAS 18001:2007 and ISO 14001:2004 standards. The PT Saipem Indonesia HSE Management System was certified according to OHSAS 18001:2007 and ISO 14001:2004 standards in June 2013.

OTHER PROJECTS CARRIED OUT IN THE KARIMUN YARD (2010-2013)

Name	Start date	End date	Client	Project description
Zodiac Frame Fabrication for Zawtika Float over Preparation	Aug. 19, 2013	Oct. 12, 2013	Saipem Singapore PTE	Zawtika Float over Preparation.
P55 Infield and Export SCR	Aug. 3, 2012	Oct. 2, 2012	Saipem SA	DMA for P55 Project.
S45 Barge for PQP-HT Topside -Biendong	Jun. 14, 2012	Aug. 14, 2012	Saipem UK Ltd	Modification of S45 barge for PQP-HT topside.
Iraq Crude Oil Export Expansion Project (ICOEEP) Phase 2	Apr. 2012	Nov. 2013	Foster Wheeler	Engineering, Procurement & Construction of Central Metering & Manifold Platform and Crude Oil Export Expansion Platform (8,270 Mt).
FDS2 for Liwan (Fairlead Foundation)	Feb. 15, 2012	Mar. 30, 2012	Saipem (Portugal) Comércio Marítimo Lda	FDS2 - Shelter & sheave system foundation.
Al Wasit Project	Dec. 2011	Sep. 2014	Saudi Aramco Ltd	Engineering, Procurement & Construction of Arabiyah & Hasbah combined Offshore and Onshore Facilities Platform (7,800 Mt).
S45 Barge for WHP-HT1 - Biendong	Sep. 18, 2011	Apr. 15, 2012	Saipem UK Ltd	Modification of S45 barge for WHP jacket + additional scope. 800 Mt approx.
Gorgon LP Project	Jun. 2011	Jan. 2014	KJV (Kellog Joint Venture - Chevron)	Engineering, Procurement & Construction of: - 4 Jacket Loading Platforms (1,248 Mt); - 4 Super Structure Loading Platform Decks (1,608 Mt); - Navigation Aid Piles & Pontoon Piles (1,100 Mt).

SUSTAINABILITY APPROACH

To operate in a sustainable manner means to create value for stakeholders and use resources in such a way that the needs of future generations are not compromised. All of this must be achieved while respecting people, the environment and society as a whole. The sustainability approach has become an important way of conducting business effectively and

of ensuring dialogue and cooperation with all local stakeholders in order to maximise the reciprocal positive effects.

Specifically, Saipem is committed to maximising and optimising Local Content in terms of employment and supply and to facilitating the transfer of knowledge and the development of professional competencies for the creation of job opportunities, the development of entrepreneurial skills and the growth of local human capital.

In Indonesia, the maximisation of Local Content is especially focused on the employment and development of young graduates, mainly engineers, in order to reinforce the engineering and technical capabilities both in Jakarta and Karimun. In addition, the promotion of opportunities for local businesses aims to develop enduring relationships with local and national companies as vendors and subcontractors for effective and efficient project execution.

The Company is highly committed to maintaining and strengthening an active, open and transparent relationship with local stakeholders, through both periodical formal meetings and frequent informal meetings or communications. This is especially true in Karimun, where the Company is committed to bringing social and economic benefits to the host communities mainly through recruitment of local people and cooperation with local authorities in the realisation of activities that contribute to socio-economic development.

Focus on Jangkrik Field Development Project

The Jangkrik Field is a gas discovery made in March 2009 by Eni Muara Bakau BV. It is located in the Muara Bakau permit area of the Makassar Strait, 70 km offshore Borneo of Indonesia at a water depth ranging from 250 to 500 m. Through its Indonesian subsidiary, Eni operates the Muara Bakau PSC with a 55% interest, in joint venture with GDF Suez which holds the remaining 45%.

To date, three exploration wells (Jangkrik-1, Jangkrik-2 and Jangkrik-3) have been drilled. A feasibility study completed in July 2011 led to the identification of the most attractive concept for development of the Jangkrik Field. This is based on a subsea development with seven wells, full treatment facilities on a spread moored FPU and an export line to shore at the Sapi landfill.

Jangkrik North East, located at about 25 km NNE from the Jangkrik Field, is a gas discovery made in July 2011 through the explorative well Jangkrik North East 1. An appraisal well was drilled in September 2011. A screening study for the tie-back of Jangkrik North East to the Jangkrik Field was completed in September 2011 for OPDS Phase Gate 2.

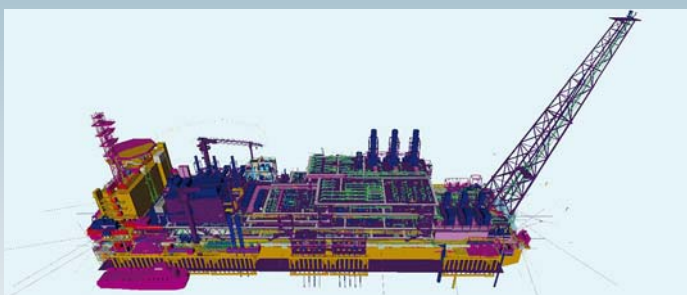
The concept defined during FEED and confirmed for execution phase includes:

- A barge shaped FPU performing

full offshore process and exporting treated gas onshore near the existing Sapi plant for tie-in of gas to the existing 42" pipeline to the Badak Plant and stabilised condensate to the existing 20" pipeline to the Senipah Plant. An additional tie-in to an existing 20" pipeline is foreseen to route part of the gas produced to the domestic market.

- 7 subsea wells for JKK tied back to the FPU (EP3 and EPCI-2 contractor scope).
 - 4 subsea wells for JNE tied back to the FPU (EP3 and EPCI-2 contractor scope).
 - Export gas and condensate flowlines to shore (EPCI-2 contractor scope).
- PT Saipem Indonesia is the

consortium leader of the EPCI contract for a new built barge FPU for the Jangkrik Complex Project development. The consortium is formed by Hyundai Heavy Industries Ltd (HHI) and the joint venture between PT Saipem Indonesia, Tripatra Engineers & Constructors and Chiyoda. The Jangkrik FPU project is carried out from the Saipem Execution Centre in Jakarta. Topside fabrication activities will be carried out in Saipem's Karimun Island Yard, also located in Indonesia, while the hull will be fabricated in HHI's offshore yard in Ulsan, South Korea. The final destination of Jangkrik gas is the Bontang LNG plant and the local market. The final destination of Jangkrik condensate is the Senipah Plant.



Quantifying the economic value generated by Saipem's operations in Indonesia in the period 2011-2012

To provide support and evidence of the value generated through its commitment to Local Content maximisation, Saipem has quantified the economic impacts generated in the country. Indeed, measuring the tangible benefits of the Local Content strategy is key to demonstrating a sustainable business approach and improving stakeholder relationships at local level. Saipem has implemented a methodology – the SELCE (Saipem Externalities Local Content Evaluation) Model – to measure the externalities produced as a result of Saipem's activities in a

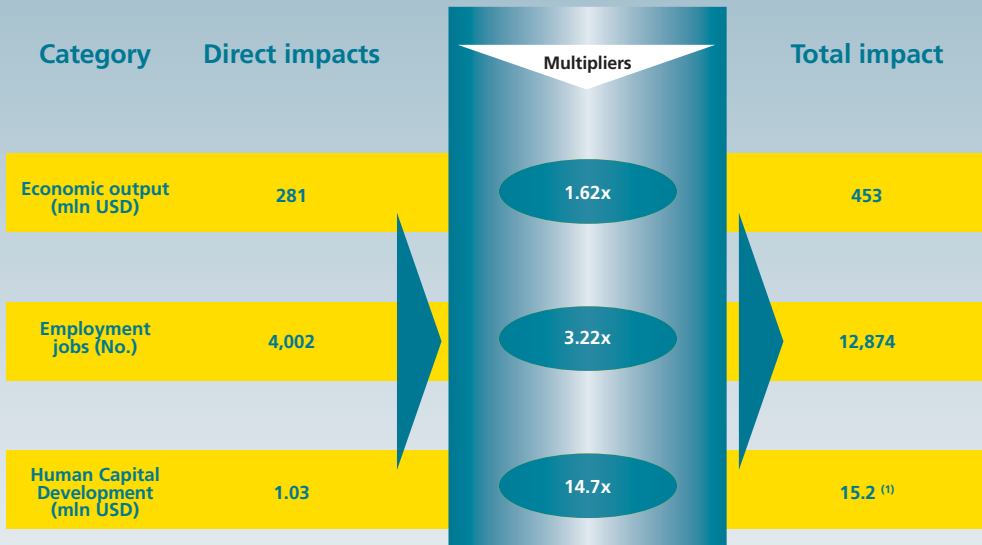
given area. This Model facilitates calculation of the comprehensive footprint of Saipem's operations in the country as well as evaluation of the effectiveness of Local Content strategies.

The scope of the SELCE Model as applied in Indonesia included operations conducted by PT Saipem Indonesia and its Karimun Branch. For the purpose of the study, three key categories of impact were identified and measured: Economic output: impact of payments made by Saipem to finance its locally sourced operations and to pay taxes. It is measured as the sum of

direct, indirect and induced impacts.
 Employment: Saipem brings an important contribution to the increase in local employment through the creation of direct, indirect and induced jobs.
 Human Capital Development: Saipem contributes to the increase of knowledge and skills of its employees in terms of additional lifetime earning expectancy and increased employability.

An initial study was conducted for the Karimun Yard development project considering the period 2007-2011. In addition, an overall study for all operations in

Quantitative Results (cumulative 2011-2012)



Note:
 (1) Total impact is the Net Present Value of indirect and induced impacts over a 5-year timeframe.

Indonesia was conducted for the period 2011-2012. Results of this second study are reported here.

Economic output

The total economic impact of Saipem's activities in Indonesia (2011-2012) was found to be around 453 million USD, comprising direct, indirect and induced effects. Its comprehensive contribution is about 1.62 times direct expenditures, meaning that for each US dollar Saipem spent in Indonesia, an additional 0.62 US dollars was generated in the

local economy. The contribution to Indonesia's GDP from Saipem's operations accounted for the 0.03% of the country's GDP in 2011 and 0.02% in 2012.

Employment

The cumulative employment figures for 2011-2012 add up to 12,874 jobs overall created directly, indirectly and induced. The multiplier indicates that for each job directly created by Saipem in the country, an additional 2.22 jobs were created as indirect or induced. Jobs created along the supply

chain mostly benefit sectors such as subcontracting, general services, catering and accommodation

Human Capital Development

The investment in training for local employees over the period 2011-2012 generated a cumulative value of 15.2 million USD in the country. For each dollar Saipem invested in Indonesia in the training of its local employees, there was an additional value generated in society of 13.7 dollars, calculated as increased life-time earning expectancy.



Assessing the socio-economic value generated by the Karimun Yard development project

To understand and measure more effectively the impact generated by Saipem with the construction of the Fabrication Yard in the Karimun Regency, the scope of the SELCE Model was broadened to assess wider social impacts by integrating it with a Social Return On Investment (SROI) approach.

The internationally recognised framework developed by the World Business Council on Sustainable Development¹

(1) World Business Council for Sustainable Development (WBCSD), Measuring Impact Framework, 2008.

was also considered, as were reputed concepts, standards and procedures such as the Theory of Change and Stakeholder Engagement. The outcome was the Social Value Created Model, a combination of the SELCE, the SROI and the Stakeholder Perception Survey (SPS), the latter of which was adopted to understand the perception of stakeholders and the importance they attribute to the impacts identified.

The Social Value Created model identifies Saipem's activities as inputs which generate outputs (e.g. number of jobs created, tax

revenues, etc.). Outputs have longer-term consequences, described as outcomes, intended or unintended, positive or negative, of which only a part is attributable to Saipem. The impact tree built in this sequence led to the identification of about 100 potential impacts (negative and positive) that Saipem generated on local and national economy and society.

These impacts were then aggregated into 6 domains of societal progress (enterprise development, infrastructure development, governance, community development,



151 MILLION USD

Total social value created in Karimun

quality of life and ecosystem conditions). The Model was applied to the entire construction phase of the Fabrication Yard in Karimun Island during the period 2007-2011.

Social Value Created

The Model was applied to the entire Yard construction period 2007-2011. However, considering that construction operations in Karimun started in 2008, most of the impacts were generated between 2008 and 2011. In Karimun Island, the construction of the Saipem Fabrication Yard generated impacts on broader society estimated at 151 million USD over and above Saipem's investments.

The main contribution to social value creation in Karimun was in the domain of enterprise development, totalling 119 million USD, which consisted of business opportunities for more than 100 direct local vendors. In addition:

- improved business practices and working conditions, widely recognised by local stakeholders, led to savings of 1 million USD from the prevention of health and safety issues;
- effects on community development amounted

102 MILLION USD

Investments attracted by Karimun due to Saipem's presence

to 2 million USD through education opportunities and small community projects;

- 29 million USD were generated from an improved quality of life related to increased earnings through job creation and better material living standards from on-the-job training and investments in education;
- the negative effect evaluated at -0.1 million USD in ecosystem conditions is associated with the perceived reduction in fishermen's income due to temporary dredging activities during construction phase.

The construction of the Saipem Fabrication Yard also attracted investment to Karimun to the tune of 102 million USD, mainly in the form of domestic and foreign capital (86 million USD). This set the basis for future sustainable growth and social development. Furthermore, local infrastructure development objectives agreed with local authorities amounted to 16 million USD. At national level, the social value created is estimated at 549 million USD. The increase in value creation between local and national levels is mainly due to:

- the inclusion of a larger portion of the supply chain

15,000 JOBS

Created during the construction phase

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

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

Social Value Perceived

The Stakeholder Perception Survey helped understand the value stakeholders associate with changes in the socio-economic context. Results showed that Saipem's contribution is appreciated and recognised by local stakeholders, and that it represents a good example for other companies in the region. Specifically, stakeholders strongly appreciated Saipem's good business practices and the opportunities they created, while the main concerns expressed were with reference to the impact of migrant workers on personal security and lifestyle, road safety, and the increase in local competition both for business and jobs (more details on page 36).

SUSTAINABILITY PERFORMANCE

EMPLOYEES

Recruitment

As one of the key international Oil&Gas contractors in Indonesia, Saipem is committed to supporting the recruitment and development of local employees in both Jakarta and Karimun. In the former, focus is on specialised engineers who, following a specific training and tutorship programme, reinforce their knowledge not only in each area of engineering, but also in supply chain management and HSE. Young resources are recruited from the best universities in Indonesia and trained during their first 3 years with the support of both local and international senior engineers.

With the construction of the new Fabrication Yard, Saipem is the primary international Oil&Gas investor in the Region of Riau. Given the economic context, one of the major challenges the Company has to face is manpower recruitment and training of local resources resident on the Island.

In accordance with Saipem's Local Content maximisation strategy, the manpower recruitment target for the Karimun Yard focuses on local resources, the development of which is not seen as

barrier for the Yard's development, but rather as a challenge that will lead to future benefits.

The strategy, which has been agreed upon with the Manpower Office of Karimun, aims to employ people primarily from Pangke Village (the closest to the Yard) and then from the rest of Karimun Island. Subsequently, resources will be recruited from the entire Riau Islands Province and, if necessary, from other Indonesian areas. Mobilisation of international resources shall be reduced progressively to the minimum level possible.

With this objective in mind, one of the core issues is the Island's education system, from elementary and junior to senior high school. Specifically, the current system does not seem to be sufficiently capable of supporting the socio-economic changes that are expected to impact the Island, especially considering the inevitable mobilisation of resources from other areas of Indonesia in the initial phases of Yard activity.

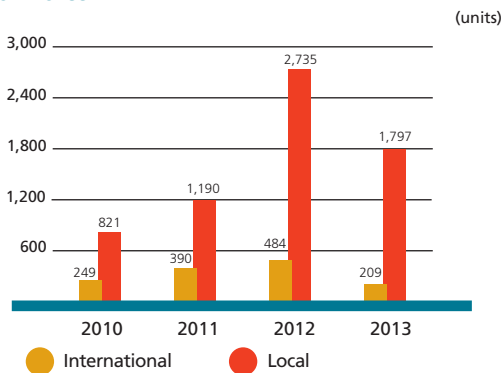
In addition, Saipem needs to improve the technical skills of local resources to bring them up to international market standards in the medium- to long-term.

For all these reasons, since the end of 2010 Saipem has been working on the project 'Pangke Village Schools: An Investment Today for Our Recruitment Tomorrow', the scope of which is the improvement of Pangke Village schools (see page 40).

Training

Training courses are mainly carried out internally. They focus on technical and professional skills. Programmes include business English, engineering, SMART PLANT P&ID, PHAST and SIL. In addition, training courses are carried out on HSE topics such as firefighting, first aid, earthquake awareness, and so forth.

Workforce



Young Graduate Programme

In order to guarantee the enrolment of highly motivated and talented young resources, PT Saipem Indonesia has set up a specific young graduate programme which includes recruitment and training.

The selection and recruitment process is carried out on the basis of specific requests from departments and HR forecast planning. Presentations of Saipem are addressed to students in the most reputable universities, such as ITB University in Bandung, ITS University in Surabaya and University Indonesia in Jakarta.

In Karimun, Saipem collaborates with the local Head of the Provincial Education Board in order to obtain information concerning local students who study outside the

Island but are willing to work in Karimun.

Initial screening of Young Graduates (YG) must meet a minimum GPA (Grade Point Average) of 3.00 out of 4.00 for bachelor degrees in engineering but also for non-engineering qualifications. Candidates must demonstrate knowledge of English, pass a technical writing test provided by the department, come through a first interview session with Line Managers and a subsequent one with Human Resources and, finally, be declared fit following a medical examination. Once recruited, a specific remuneration system is set for YGs to motivate and retain them.

After recruitment, an individual training plan is set for each Young Graduate to develop:

- knowledge of Saipem's business;
- basic skills: English, Project Management, Quality and HSE;
- managerial skills: communication, problem solving, etc.;
- professional skills: effectiveness, efficiency and successful results in the resource's professional area.

This training is carried out through courses and on-the-job-training, which give the YGs the opportunity to be directly involved in project execution and strengthen their expertise and professional skills. Training includes activities carried out in other Saipem offices such as Paris or Milan to reinforce practice abroad and experience multicultural teamwork.

Number of Young Graduates (YG) (Jakarta and Karimun)

	2010	2011	2012	2013
YG recruited yearly in Jakarta	12	19	25	22
Total number of YG employed in Jakarta	26	45	60	76
YG recruited yearly in Karimun	5	3	11	0
Total number of YG employed in Karimun	4	9	19	15
Total YG employed	30	54	79	91

Karimun Training Centre

Saipem is committed to the development and sharing of know-how through the formalisation and transfer of knowledge and best practices to employees. Training is very important in establishing the competence and knowledge required by individuals, especially in the growing Oil&Gas sector. A Centre is being set up by Saipem in a local school in Karimun, where training in mechanical, electrical and welding skills will be provided for new young recruits. Saipem will work with local educational institutions to improve both course structure and facilities.

The Training Centre will help develop knowledge and skills and as well as health & safety behaviour of workers in order to ensure compliance with Saipem's Policies and Standards.

The Training Centre is equipped with:

- 3 classrooms holding 30
- 3 workshops for work practice
- 2 administration rooms
- 1 canteen
- 1 prayer room

Training for recruitment in Karimun

During 2012 and 2013, a series of intensive courses were held in the

Training hours

	2010	2011	2012	2013
Health, Safety and Environment	4,085	5,517	11,879	3,666
Information Technology and Languages	3,104	13,152	4,195	3,637
Managerial Behaviour and Skills	1,098	2,687	1,199	1,535
Technical Professional Skills	4,913	42,945	126,620	71,584
Other Professional Skills	681	4,450	4,496	2,435
Total	13,881	68,751	148,389	82,857

List of courses

No. Courses	Duration	Number of participants (until June 2013)	Number of hired (until June 2013)
1 FCAW/SMAW Welding	10 weeks	333	258
2 GTAW (TIG) Welding	3 months	28	16
3 Fit Up	10 weeks	243	195
4 Machine Operator	3 months	34	34
5 HSE	6 months	17	17
6 QC NDT & Inspector	6 months	13	13
7 POSE	6 months	1	1
8 PCON	6 months	6	6
9 Painting and Sandblasting	2 months (OJT)	43	43
10 Rigging and Scaffolding	6 months	279	279
11 Engineering	2 months	7	7
12 Supervisory Management	2.5 months	62	62
Total		1,066	931

Karimun Yard. Covering all fields of Saipem activities, the courses were organised and run by qualified teachers from Saipem Corporate and skilled trainers from production departments. Several people were recruited directly as a result of the courses.

English Course for Employees

Business and everyday communication are carried out in English, especially in Saipem, which has a multicultural workforce. Employees must have the ability to use English in order to avoid creating misunderstandings in their everyday activities. This is why, in 2012, three beginner courses and one pre-intermediate course commenced.

Health

The PT Saipem Indonesia Health Unit is deeply involved in the prevention of cardiovascular pathologies, malaria and sexually transmitted diseases, as well as their root causes. Several actions have been taken such as the promotion of a healthy lifestyle for all workers through training, posters, bulletins, email alerts, health talks, smoking programmes, food hygiene and blood donation.

Health System in Karimun

Health Risk Assessment takes into consideration all professional roles, including those in which local employees will constitute the bulk of the workforce.

In this way all workers will be informed and instructed on how to avoid various work related hazards, such as noise or welding fumes, encountered in their daily activity.

The Clinic located in the Karimun Yard is used for day to day care and for emergencies. It is also used for health promotion programmes targeted at all employees, both local and expatriate. It includes an emergency room for minor and serious cases, a stabilisation ward, modern medical equipment, an X-ray device and its own laboratory. All local employees are examined in the Clinic to ascertain their fitness for duty and to monitor their health on an ongoing basis. In addition, they may address their health-related concerns to clinic personnel, who can then propose solutions to preserve the health and working ability of patients according to their specific activities.

The Cardiovascular Disease Prevention Programme is accessible to anyone who wants to be examined, in particular employees whose medical profile is classified as 'at-risk' according to best international preventive practices or recommendations proposed by the doctor.

The Health function organises and holds periodical first aid training sessions open to everyone. These provide the opportunity to exercise first aid techniques and skills which can be useful not only at work but also in everybody's private life.

Safety

PTSI bases its HSE Management System on OHSAS 18001 and ISO 14001 International Standards, local regulations and Saipem Corporate Standards. The PTSI management system, which has been certified by BV Indonesia, a third party certification body, is based on:

- A HSE policy.
- Identification of occupational health & safety risks and environmental impacts.
- Legal and other HSE requirements.
- Objectives, targets and programmes that ensure continual improvements.
- Management activities that control HSE risks.
- Engineering activities to ensure design decisions are taken with due consideration for HSE risks.
- A HSE design assurance model, with the HSE department fully integrated into the engineering disciplines.
- Operational controls.
- Monitoring of HSE performance.
- Continual reviews, assessments and improvements of the system.

In addition, the following key initiatives are now in place, making PTSI management system more robust:

- Periodic auditing and legal compliance.
- Documentation of all PTSI associated risks through a risk log.
- Internal 'HSE in design' training for all HSE staff (to increase HSE skills in design).
- Health Risk Assessment activities.



Construction activity in Karimun Yard

Safety statistics

	2010	2011	2012	2013
Man Hours Worked	7,867,984	7,143,366	6,465,306	9,298,621
Fatalities	0	0	0	0
LTIFR	0.00	0.14	0.00	0.11
TRIFR	1.02	2.66	2.32	1.72

Leading indicators

	2010	2011	2012	2013
HSE training hours	13,296	25,273	18,126	15,626
SHOC Cards	7,409	14,783	8,474	10,206
Tool Box Talks	15,017	22,290	13,774	11,685
HSE meetings	1,486	3,395	328	309
Job Safety Analysis	0	12,713	3,563	1,875
HSE Inspections	5,956	12,389	3,642	2,516

The Karimun Yard achieved an important safety record in 2010: 8,520,624 man hours (1,160 days) LTI free. This impressive safety record was made possible by the Project Director’s guidance and directions, Site Management’s support, a proactive Safety performance, and active support from all levels of the Karimun Yard project, together with the Contractor’s contribution to maintaining a safe workplace.

Safety performance

The PTSI safety performance system measures not only reactive indicators but also how proactive the operational sites are in terms of the implementation of safety standards.

CLIENTS

Saipem is working in Indonesia for a number of Clients in the Oil&Gas industry such as Eni, Total, BP and ConocoPhillips. These Oil&Gas companies are operating and producing in Indonesia under Production Sharing Contracts (PSC) with the government. Saipem maintains open and professional relations with all its Clients. These vary

according to the nature of the project (i.e. FEED, EPCI, T&I). Involvement and cooperation with the Client’s representatives from the outset ensures fairness throughout project execution. Saipem also seeks feedback from Clients during both commercial and project execution phases to assess satisfaction levels conducive to preserving good working relations.

Customer Satisfaction Feedback

During 2011, the Gajah Baru Project received Customer Satisfaction Feedback for the successful completion of the Wellhead Platform (GBWP), the Central Processing Platform (GBCPP) and the Bridge and Pipeline Project. GBWP and GBCPP projects received positive feedbacks from the Client, Premier Oil Natuna Sea BV (PONSBV). In general, the Client appreciated the service in terms of overall management. Specifically, Project Organisation received 7 very good and 5 good feedback questionnaires, but Contract Management, Engineering and Planning also received positive scores. Operational Performance received a very good score but received only a fair score with regard to management of the offshore installation fleet. Procurement and Quality were valued

very positively. In particular, very good marks were received for quality control and for internal and external auditing. Finally, Health, Safety & Environment management was valued very positively, with 8 very good and 5 good feedback questionnaires received. As a whole, the Client was satisfied, and no negative feedback was received.

SUPPLIERS & SUBCONTRACTORS

In August 2012, PT Saipem Indonesia (PTSI), with the coordination of Saipem Corporate Vendor Management (VEMI) and the China Sourcing Centre,

launched the Indonesia Local Content Qualification programme for the scouting, inspection and qualification of Indonesian vendors. The objective was to maximise the number of qualified local vendors and identify the level of Local Content of each one involved with a view to increasing the percentage of local product and service procurement.

The programme, implemented for the first time in a formal manner in Indonesia, was developed in consideration of local regulations as well as future procurement requirements for projects in the area. 103 vendors were involved, 76 of whom were new entries and 27 previously qualified but under consideration for further supplies

Focus on Gajah Baru Project

Gajah Baru is an important project carried out for Premier Oil Natuna Sea BV. It comprises the development of Gajah Baru, Naga and Iguana fields. The project consists of the engineering, procurement, construction and installation of a Wheel Head Platform and a Control Production Platform as well as pipeline laying. PT Saipem Indonesia, in consortium with SMOE Pte Ltd, was awarded the contract in May 2009. Operations started in August 2009 and were completed in 2011.

Among the fabrication services for the facilities carried out in Indonesia (Batam Yard), works included fabrication of two jackets, two topsides, the pipeline and the pipeline end manifolds. Approximately 250 employees, including 160 engineering specialists, were mobilised for this project. 86% of the overall resources were Indonesian while for the engineering team the percentage of Indonesians reached 90%. In addition, 61 young graduates were involved in the project, thereby sharing Saipem's

expertise and building the local technical knowledge base.



The procurement of domestic products and services was maximised along with the project's

technical specifications, including some critical equipment, such as ICS, Switchgears and E&I cables, to say nothing of the supply of pressure vessels, a glycol package, a produced water treatment package, a condensate treatment package, and mobilisation of bunkering vessels for offshore installations.

An Environmental Baseline Study was conducted to analyse the physical, biological, chemical and socio-economic characteristics of the project area. The study, which included a site survey, was designed to record the initial environmental status of the intended project site prior to any on-site operation, exploratory programme, field development or plant construction.

The results of this Environmental Baseline Study were combined with those emerging from the Client's Environmental Impact Assessment Study (AMDAL) with a view to proposing and identifying all preventive and continuous monitoring measures.



Meeting in the Jakarta office

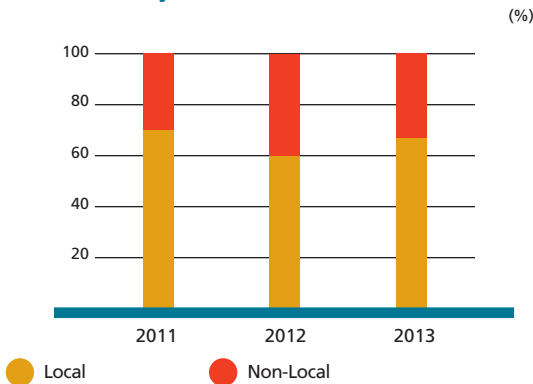
of products and services. The potential contribution of Local Content was identified through 148 questionnaires (one per product/service), as required by Indonesian law. Specifically, 34 vendors were identified, selected and inspected in Jakarta, Batam and Surabaya, in consideration of the strategic value of their products and services,

business priority and complexity of the qualification process. The outcome of the inspections, run by a VEMI specialist and representatives of the Engineering, Procurement, Post-Order, HSE and Sustainability departments of PTSl, led to an evaluation of the vendor's capacity to satisfy Saipem's requirements.

Each vendor was thus scored as 'Opportunity', 'To be Monitored' or 'Risky'. The information gathered with the questionnaires and onsite audits was processed to draw up a matrix of products and services with a major, moderate and minor contribution of Local Content.

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

Total ordered by local and non-local vendors



both of business and of the local economy as a whole. This work in Indonesia aims to maximise the reliability of local vendors, and while it may incur a cost in the short term, it should yield fruit over a longer time period. In 2014, 1,092 local vendors were registered in the Saipem Vendor Database.

As regards procurement activities for the Karimun Fabrication Yard, Saipem places a lot of emphasis on Local Content. Island vendors are used as much as possible to supply those goods and services which are available locally. With a view to supporting the local economy and stimulating industrial development, Saipem has put no small amount of effort into optimising local vendor involvement. While it is not yet possible to procure locally those products classified as strategic for Saipem, the last few years have seen a noteworthy increase in the involvement of local vendors and in their turnover for goods and services supplied. In 2011, for example, volumes almost tripled with the placing of over 400 orders with vendors located in Karimun. The impact of this was noteworthy, especially if one considers the Island's limited industrial base and the rather small size of the local population (about 200,000 people). Thanks to this constant commitment to Local Content on Saipem's part, at present the most important general and maintenance services are procured on the Island, as are some consumable warehouse goods and most fabrication gases. All vendors of interest to the Fabrication Yard

undergo a qualification process and, if successful, are placed in the Company's database and used systematically. To facilitate the growth of existing businesses and provide incentives for others, Saipem is also developing medium- to long-term procurement relations by entering into multi-year agreements that should allow local vendors to predict future volumes with a greater degree of certainty. The first framework agreements were issued in 2011 and in 2013 about 60 were in place. These also include facilitated payment terms for newly registered companies. So far this strategy has allowed several vendors to expand, and it is reasonable to presume that it will lead in the future to the opening of new businesses linked with Saipem's local operations.

ENVIRONMENTAL PERFORMANCE

In accordance with Saipem Corporate standards and local environmental laws, environmental management is targeted at pollution prevention and the mitigation of impacts associated with operational activities. A series of procedures has been implemented concerning all aspects of environmental management, namely, identification and assessment of the environmental aspects connected with the entire life cycle of projects; environmental performance monitoring and reporting; and the definition of environmental management plans.

Energy Consumption

		2010	2011	2012	2013
Diesel	(toe)	6,857	6,621	5,028	6,098
Gasoline	(toe)	47	-	0.28	128
Diesel Marine Oil	(toe)	19,277	1,027	3,615	13,595
Electricity	(toe)	193	694	1,007	590
Fuel Oil	(toe)	20	-	-	-
Total	(toe)	26,394	8,341	9,650	20,411

Installation of solar panels in the Karimun Yard

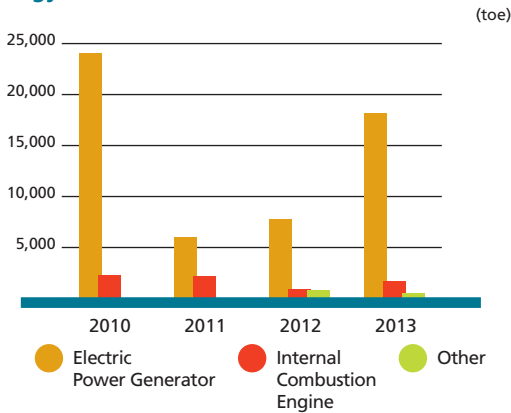
In 2012, 49 solar water heater (SWH) panels were installed in the Saipem Karimun Yard. The panel system uses natural convection dynamics, known as the passive system. This means that pumps are not required for cold water to flow from the storage tank to the panel, where it is heated by the sun. One of the problems with this system is that there is no hot water during rainy days, but the device has been modified to switch automatically to electrical support. The

total amount of energy saved when the solar panels are in operation is 422 kWh/day. Considering that Karimun enjoys 230 days of sunshine per year, annual energy savings amount to 97,000 kWh, which is a reduction of approximately 20 tonnes of CO₂ emissions.

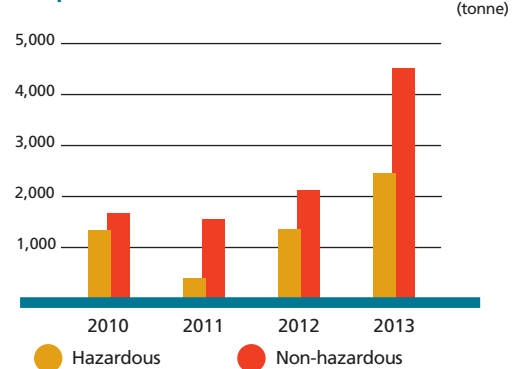
Green Building Concept - Greenship Building

PT Saipem Indonesia has just moved into a new office building, the Alamanda Tower, located in South Jakarta. The Alamanda Tower is a GREENSHIP

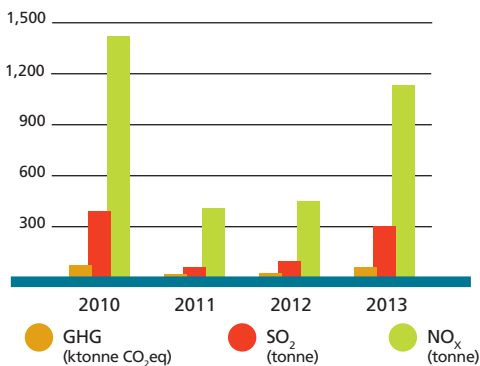
Energy use



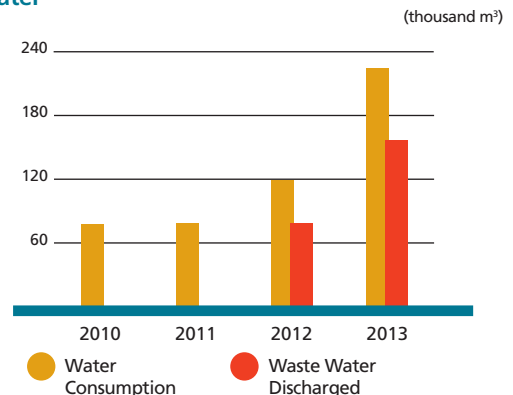
Waste production



Emissions



Water



Note. The increase in environmental performance in 2013 is mainly associated with the presence of the Castoro 8 operating on the Ruby T&I project.

Waste management (2013)

		Hazardous	Non-hazardous	Total	% total waste
Recycled	(tonne)	1,726	3,200	4,926	71
Disposed of	(tonne)	254	1,068	1,322	19
Incinerated	(tonne)	479	250	729	10
Total	(tonne)	2,459	4,518	6,977	100

Water use

		2010	2011	2012	2013
General Services	(m ³)	68,863	72,809	113,811	217,473
Concrete Production	(m ³)	1,600	1,233	2,005	-
Hydrotesting	(m ³)	-	156	-	2,000
Road Watering	(m ³)	7,410	3,345	3,000	-
Other	(m ³)	169	880	-	5,208 ^(a)

(a) Including domestic use and irrigation.

Spills

		2010	2011	2012	2013
Less than 5 l	(No.)	2	1	1	-
Between 5 and 100 l	(No.)	1	2	1	2 ^(a)
More than 100 l	(No.)	-	-	-	-

(a) Note. The classification changed in 2013: 2 spills of between 10 and 160 litres were recorded.

Registered Project which falls under Green Building Council Indonesia's Green Building Certification process. The building is one of several new structures in line for a Gold rating for its Green Concept. However, certain parameters must be complied with, and the more parameters met, the higher the rating. These parameters are as follows.

Appropriate Site Development

Maximise the open green area and provide as big a rainwater absorption area as possible; ensure open accessibility for pedestrians and bicycle parking; guarantee at least 40% vegetation (softscape) out of a total land area of 12,000 m².

Energy Efficiency and Conservation

Install lighting systems and other utilities to control consumption;

ensure the ability to turn off lighting automatically when there is no activity in the area; calculate energy efficiency measures with Energy Modelling Software to achieve basic efficiency due to the properties of the building envelope; install artificial lighting; guarantee vertical transportation and COP; encourage and improve natural lighting in the building and ventilation in several areas without the need for AC; ensure due consideration for climate change.

Water Conservation

Further reduce water use; install water fixtures to maximise water use efficiency; ensure water recycling to achieve efficient use with regards to flushing, irrigation, make-up water for the cooling tower and landscaping; encourage the use of alternative water



Semac 1 on the Karimun landscape

resources, rainwater harvesting and water efficient landscaping.

Resource Materials and Cycle

Ensure that chlorofluorocarbons (CFCs) and halons are not used; make sure that environmental products manufactured using ISO 14001 certified materials account for at least 30% of total materials costs; encourage non-ODS usage; use wood materials in accordance with Indonesian government regulations and that are LES or FSC-certified; use

modular design; guarantee that at least 80% of materials are from Indonesia.

Indoor Health and Comfort

Design all rooms to allow inflows of outside air; control environmental tobacco smoke; use low volatility organic compounds; make sure that at least 75% of the net lettable area has a direct view of the outside; ensure visual comfort using T 5 and install illumination in accordance with SNI 03-6197-2000; thermal comfort: air.

Environmental and Social surveys

Since 2010, environmental, social, economic and cultural surveys have been conducted on a six-monthly basis around the Saipem Karimun Fabrication Yard. The results should provide input for Saipem in its endeavour to build closer ties with the local population in order to keep to a minimum any negative impacts arising out of operations and to maximise the positive effects for the host communities. The survey is carried out by an independent organisation on a sample of heads of households in the Pangke Village. It encompasses several topics such as demographics, economic situation, employment, educational level, culture and the perception of Saipem's business activities.

With a total population of 6,059 (1,248 families) in an area of 1,960 ha, Pangke Village is part of the Meral District in the Karimun Regency. Other industries were already active in the village before the construction of the Yard, including granite mining and smelting. Most of the villagers are manual workers or labourers, with additional livelihoods coming from fisheries, some of which have been run for generations. Another



potential resource of the area is the Pelawan Beach, a resort for domestic and international tourists.

The survey conducted in 2011 focused on four sub units of Pangke Village and involved 103 households. Its purpose was to identify and evaluate local worker participation, as well as business opportunities arising from Saipem's subcontractors; the increase in community wellbeing; potential social conflict between local people and Saipem resulting from competition in the utilisation

of available employment and business opportunities; direct and indirect impacts from tourist related construction on Pelawan Beach; and the effectiveness of the managerial approach in maximising employment and business opportunities for the local community. All the information collected goes to update a database to aid decision-making processes within Saipem. In general, the results point towards the need to continue activities on Local Content as per the Company's strategy, boost information flows towards local communities and reinforce cooperation with local subcontractors.



The survey was updated in 2012 by interviewing 100 respondents of 4 RWs (an informal administrative sub unit of a village) in Pangke Village. Compared to the previous year, the number of local people working for subcontractors of PT Saipem Indonesia Karimun Branch increased by 9%. The survey confirmed the importance of prioritising local employment, promoting the entrepreneurial spirit of villagers and in general supporting social empowerment programmes.

Saipem Indonesia Shuttle Bus Programme

Jakarta is a city with a metropolitan area populated by 28 million people.

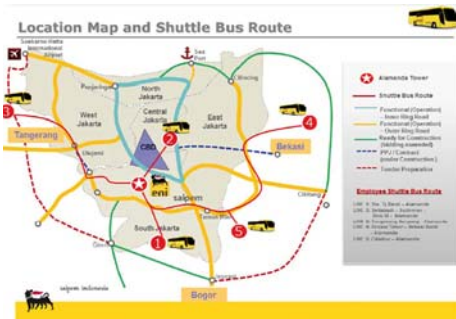
It has 9.9 million cars, motorcycles, trucks and other vehicles that invade the capital's streets every workday from morning till late.

The number of vehicles on the road in Jakarta has doubled in the previous 10 years while roads have grown by only 10%.

A study predicts that traffic will grind to a complete halt by 2014 if nothing is done to improve this situation.

Moreover, the level of emissions is growing fast. As is known, Jakarta has the highest pollution index in Asia.

The government is trying to reduce the level of emissions with special initiatives, such as the fuel conversion programme, the vehicles emission standard programme, and so on.



But the results are still way below expectations.

Bad air quality causes respiratory diseases to millions of residents with an estimated US\$ 3.8 million per year increase in health care costs.

PT Saipem Indonesia launched the Company Shuttle Bus Programme for its local employees as an additional employee benefit.

The programme aims to reduce the use of vehicles travelling to and from the office.

At the beginning of the Programme, preliminary routes will consist of 7 lines covering most of Jakarta and the surrounding areas.

Other lines will be developed according to demand. Every month each passenger will pay around US\$ 15, much cheaper than travelling by car.

The Shuttle Bus operates as follows: 5 days a week (Monday to Friday). Scheduled time of departure from each meeting point based on the distances from the office.

A Saipem Bus Shelter will be located on the north side of the PT Saipem Indonesia office.

So far almost 100 Saipem employees (25%) have joined up, leaving their cars and motorbikes at home.

It is expected that the number of participants will increase by the end of this year.

The table below summarises the environmental benefits of this important initiative.

Environmental benefits of the Shuttle Bus Programme

	Cars (50 units) (kg/year)	Motorcycles (50 units) (kg/year)	Buses (5 units) (kg/year)	Reduction in emissions from use of Shuttle Bus
NO _x	1,135	135	638	-50%
CH ₄	35	90	4	-97%
VOC	2,730	1,843	123	-97%
CO	23,506	8,976	549	-98%
N ₂ O	3	1	2	-46%
CO ₂	135,787	54,315	47,334	-75%
GHG	136,516	55,501	47,600	-75%



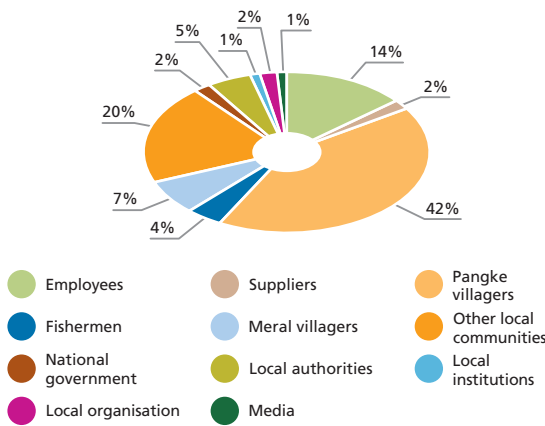
LOCAL COMMUNITIES

Stakeholder Perception Survey in Karimun Island

A Stakeholder Perception Survey (SPS) was carried out in Karimun Island as part of a study to quantify the social value created by Saipem with the

construction of the Fabrication Yard (see page 22). The purpose of the SPS was two-fold: to improve Saipem's understanding of local stakeholder perceptions and expectations; to validate the outcomes (long-term impacts identified in the SELCE-SROI study) and understand the value of the changes in society that stakeholders have experienced due to the construction of the Yard.

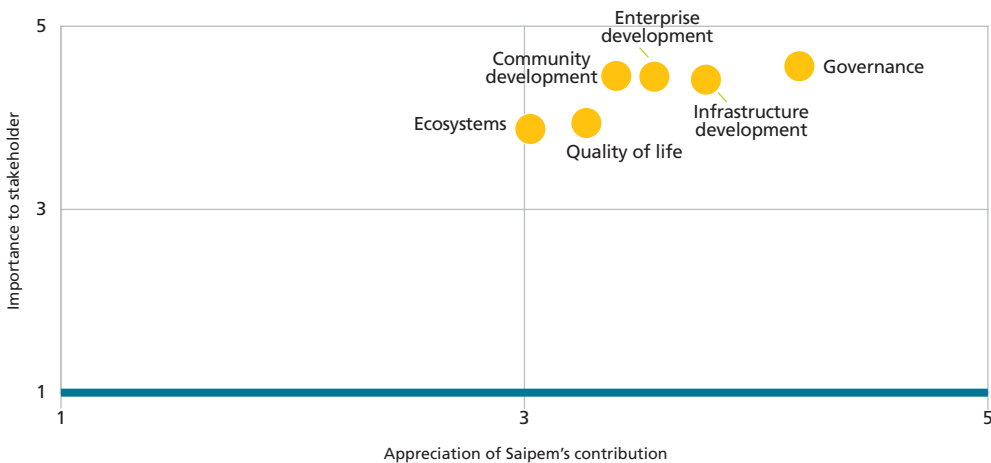
Distribution of SPS respondents by functional group



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

The methodology used to design the SPS was based on five sequential steps: set objectives, map stakeholders, design the survey, execute the survey, analyse the survey response. The outcomes of the social value created were grouped into 22 dimensions which in turn were broken down into

Local stakeholder perceptions by domain of societal progress



domains of social progress, namely: enterprise development, infrastructure development, governance, community development, quality of life and the condition of ecosystems.

Via 40 statements and a five-range scale, the stakeholders were asked to express how they appreciate Saipem's contribution in the various dimensions identified and how important they consider each dimension. The SPS results indicated that Saipem's contribution to social value creation is appreciated by stakeholders, albeit with some areas requiring further improvement. Results of the SPS showed that all domains of social progress appear in the 'Strengths' quadrant (high appreciation, high importance). Main key findings were:

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

related with immigrant workers and the increase in competition among local enterprises;

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

Execution of this SPS has helped Saipem to:

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





Community initiatives



Pangke Village Schools: an Investment 'Today' for Our Recruitment 'Tomorrow'

PTSI Karimun Branch has launched an initiative mainly focused on collaboration with local schools, increasing their organisation, quality of education and facilities. The aim is to improve local education, increase opportunity for future local employment, develop local human resources and generate local entrepreneurship. The planned actions have been shared with the local authorities, in particular the Educational Department of Karimun, and have received positive feedback.

One of the targets is the vocational school, especially the welder class.

A rapid assessment of the current vocational school graduation has been performed. Saipem personnel worked in association with the Technical Institute (SMK1) to launch a new course for pipe fitters (the first class had 27 pupils).

The Technical Institute was provided with modern welding and pipefitting equipment. The initial focus was on increasing safety awareness among all students, for whom safety awareness training was organised. The training materials consisted in introducing proper PPE, working safely, physical welding and chemical hazards and

housekeeping.

A second phase of the project aims to boost school quality by upgrading existing facilities, enhancing the level of instruction and education and launching a safety campaign for Elementary, Junior High and Senior High Schools, as well as the local university. In 2011, the project principally concerned the upgrading of several facilities as well as training and awareness campaigns in the schools.

These focused mainly on safety and road accidents. Saipem also provided the elementary school, the junior high school and the senior high school with new technology, including projectors and personal computers. In 2012, Saipem arranged for the refurbishment of the canteen (providing tables and chairs and installing kitchen equipment) and the soccer field for the Senior High School.

The ceremony to launch the project and cooperation with local institutions was held in June 2011 at the State Junior High School in Meral district. A PT Saipem Indonesia Karimun Branch (SIKB) delegation, including most of the Top Management from the Yard, met the Karimun Regent 'Bupati' and the school principal and teaching staff. A welcoming ceremony was conducted by the school pupils accompanied by 'kompang' (drums) and continued with

the local dance 'persembahan'.

On May 2, 2013, National Educational Day of the Republic of Indonesia, the SIKB Branch Manager presented the authorities with the main results of the initiative during an official ceremony. This programme is both short-term (to allow employees to come from other regions to relocate with their families to Karimun Island) and medium- to long-term (to support local schools in their endeavour to develop young and dedicated people to meet Saipem's business requirements).

Road Safety Campaign for schools in Karimun

A 'Road Safety Campaign' was launched in 2012 to disseminate awareness among students of the risks associated with traffic and to teach them how to behave safely on the road. The first part, held in May, consisted in the installation of road signs, and the laying of 2 packets of zebra crossing and 2 packets of shock ribbon at the front of the elementary school and the junior high school in the Pangke Village.

The second part, held in September 2012, focused on an awareness campaign on road safety delivered to the pupils of both schools by the SIKB HSE Team. In addition, a School Security Patrol was set up as a group of students selected to control traffic during peak hours in front of the schools and to help students cross the streets on their way to school. A ceremony was organised during which 12 sets of uniforms were distributed for the school security patrol of the junior high school. The ceremony saw the participation of the Head of Transportation Office of Karimun, the Secretary of the Pangke Village Office, and the Principals and teachers of the schools involved. 'This initiative had a really positive effect on students', said Mr. Cendra, Head of the Transportation Office. 'While training in road safety they increased their courage and skills. This is really positive because they can now help their friends in school and can spread the concept of safety throughout society'.

Ambat English Course

From the recruitment process, it emerged that most local people failed the interview due to a lack of English. The Saipem Sustainability Team thus undertook an initiative to encourage the setting up of a course for people in Pangke Village who wish to develop their English language skills.

After 3 months of preparation, the English Course was launched on February 2, 2012 in the Multipurpose Building – Ambat Hamlet Pangke Village. This programme is free of charge for the participants from the community. 4 volunteers from SIKB run the courses. Saipem also provided the conversation manual for each student and is monitoring the programme's effectiveness.

Collaboration with the 'Mechanical Engineering' Faculty in the University of Karimun

Since February 2012, Saipem has been providing an opportunity to all students of the Faculty of Engineering of the University of Karimun to view fabrication activities with their own eyes, especially the technologies used. So far, about 288 students have had the opportunity to experience activities and life in the Fabrication Yard.

Health and hygiene event in Jakarta

On October 20, 2012, PT Saipem Indonesia (PTSI) held a sustainability initiative called 'Food Hygiene Awareness' (Peningkatan Kesadaran Kesehatan Pangan programme). The event was attended by small shop owners and stallholders operating near the Setiabudi building complex at Kuningan, South Jakarta, where the Saipem Indonesia office was located, and sometimes used by PTSI employees for their lunch break. With this activity, PTSI aimed to raise awareness of food handling and hygiene. The cleanliness and health of the food handler is very important because it can affect the

quality of the food itself. Diseases are transmitted more easily through unhealthy food handling, even when the food is in good condition. Consumers or sellers are often unaware of the danger of contamination and exposure to bacteria from improper handling.

The event, coordinated by the PTSI Sustainability Facilitator and the Health Department, was initiated by the Master of Ceremonies and safety induction was followed by a safety moment. The PT Saipem Indonesia QHSE Manager gave a welcome to the participants and encouraged them to take measures to improve food hygiene. The first session was held by the Saipem doctor who began with a video made at the workplaces of the small shop owners and stallholders. It proceeded with a discussion of how to process, store and present meals in a more healthy way and how disease can be caused and spread by unhealthy food. The participants were particularly keen to learn about the effects of food not being processed in the proper manner. In the second session it was explained to participants how their profits could increase if they started to pay more attention to attracting consumers by changing their food processing methods. The sustainability facilitator also addressed some issues that might be of interest to consumers. The last part of the session was given over to questions and answers under the guidance of the facilitator. Some suggestions were made and assistance was requested on how to solve a drain blockage problem.

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

Celebrating World Environment Day - Composting Plant Inauguration

On June 8, 2013, PT Saipem Indonesia Karimun Branch (SIKB) opened the

first composting plant in the village of Pangke. The ceremony was attended by the Head of Agriculture & Forestry Office of Karimun Regency, the Head of Environmental Office of Karimun Regency, the Head of Pangke Village, and the entire community of West Pangke Village.

In the framework of the collaboration between SIKB and the community, a waste milling machine was installed in the village, with a capacity to utilise daily organic waste generated both by the Company and the local community. SIKB involved 25 families who attended a training session performed by the Agriculture Office.

The Agriculture Office of Karimun Regency demonstrated its appreciation for this initiative and took the opportunity to support the programme.

Indeed, up to a trainer will spread the word about composting to small villages around Karimun Island.

The Agricultural Office plans to provide seeds to the families involved and encourages the local community to have a 'self-growing organic plant' programme.

Finally, a programme for waste recycling to produce compost has the aim of increasing environmental awareness and creating small entrepreneurship in West Pangke Village.

Beach Cleaning Campaign

Together with the local NGO 'Karimun Hijau' ('Karimun goes green') Saipem organised a cleaning campaign on the Pelawan beach, Kecamatan Meral, on June 17, 2012.

Around 200 Saipem employees participated along with local communities.

The purpose of this activity was not simply to clean the beach but also to educate people to care about the environment.

Twelve waste bins were installed along the beach as was a big billboard with a message inviting people to keep the beach clean and differentiate waste.

FUTURE CHALLENGES

For Saipem, Indonesia represents an important opportunity as regards the potential investments needed in the coming years to sustain economic growth. All of Saipem's business units can be involved in the development of the Oil&Gas market in the country. The broadness of this spectrum of opportunities is the main challenge the Company faces. Saipem therefore needs to be prepared both technically and organisationally to face these complexities, in such a way as to execute projects with the efficiency and sustainability that the market demands. The key to ensuring the success of a sustainable business lies in the professional growth of local resources and the strengthening of relations with partners and local vendors.

An important challenge for the Oil&Gas industry in general and for Saipem in particular will be the increase of Local Content in the framework of the new regulation under approval from the new government. To achieve the increasing demands for implementation of Local Content, it is paramount to engage the value chain members and create effective cooperation along the entire EPC chain, with partners, suppliers and subcontractors. Saipem is ready to meet this challenge thanks to its longstanding presence and to the investments made in the country. The development of the Company's human resources and its young talents, combined with the contribution of its more experienced personnel, is the foundation on which Saipem bases its prospects for success.





ACRONYMS

EPIC
Engineering, Procurement,
Installation and Construction

EPC
Engineering, Procurement and
Construction

FEED
Front End Engineering Design

GDP
Gross Domestic Product

HSE
Health, Safety and
Environment

LTIFR
Lost Time Injury Frequency
Rate

NGO
Non-Governmental
Organisation

PSC
Production Sharing Contract

PTSI
PT Saipem Indonesia

SELCE
Saipem Externalities Local
Content Evaluation

SHOC
Safety Hazard Observation
Card

SIKB
PT Saipem Indonesia Karimun
Branch

SPS
Stakeholder Perception Survey

SROI
Social Return On Investment

T&I
Transportation and
Installation

TRIFR
Total Recordable Incidents
Frequency Rate

USD
United States Dollar

YG
Young Graduate

Headquarters: San Donato Milanese (Milan), Italy
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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 this Country Report matters to us.

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

Contact us at: sustainability@saipem.com

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