

## Our projects

### **An investment today for the business of tomorrow**

Karimun Regency is one of the most important islands in the Riau Archipelago (Indonesia), due to its thriving economy and proximity to Singapore and Malaysia.

Located amidst Batam and Riau Province (Indonesia), Johor (Malaysia) and Singapore, Karimun Regency has become a strategic place for national and international trade routes. Based on the 2009 census, the total population in Karimun Regency is approximately 160,000. Most people live within or near Tanjung Balai, that is the main town of Karimun Regency. Most of the 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.

Karimun Fabrication Yard is Saipem's new yard, which is currently under construction and expected to start operations by early 2011. The functions of the yard shall include: fabrication for FPSO<sub>i</sub> module integration; fabrication of topsides, jackets, wellheads and ancillary structure items; logistic support to marine transportation activities.

Saipem's presence in frontier areas in the fast-growing Far East, will be strengthened and supported by the fabrication capabilities and logistic services of the new yard.

Saipem's strategy for Karimun Fabrication Yard is deeply focused on the integration between business targets and development in a local context, to achieve a long-term success in Karimun.

Maximisation of local employment is one of the main commitments currently in development; in fact among Saipem's activities in Karimun of note are vocational schools, especially welding courses.

Safety issues are a very urgent matter, therefore Saipem promoted safety awareness trainings, arranged by a temporary work Agency, addressed to vocational students, and focused on the use of PPE<sub>i</sub>, welding, physical & chemical hazards and housekeeping.

Karimun Fabrication Yard is also focused on exploring the feasibility of good procurement practices and services from local suppliers/subcontractors. At the present time, some of these services are catering, housekeeping within the yard, accommodation, office consumables and local transportation. In order to maximise the number of local suppliers and then the quantity of locally purchased goods, the local procurement department has optimised the qualification process, by increasing the number of qualified local suppliers for services and goods, also with high technology standards. Local Content is around 40% of material purchasing while 80% of subcontracts were assigned to Indonesian companies.

Local suppliers have also participated in environmental recovery projects, by planting different types of trees in the areas affected by the first yard construction activities, trying to bring the territory back to pre-existing conditions.

HSEi Karimun Yard reached an important safety record in 2010: 8,520,624 man hours (1,160 days) without LTI. The impressive safety record was achieved thanks to Project Director's Guidance and Directions, Site Management's support, Proactive Safety Performance, as well as an active support from all levels of Saipem's Karimun Yard project together with the Contractor's contribution in maintaining a safe workplace.

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## Local Human Resource Development

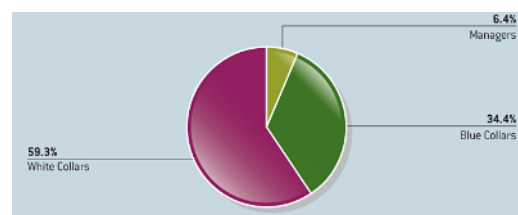
For the Fabrication Yard in Karimun, skills development of local human resources is a goal to achieve as well as a challenge for local administrators, to attain further benefits for the future.

From the Company's perspective, in addition to the welding courses destined to local young candidates, the challenge is to manage different sources of local content in order to integrate the yard development into the Development Plan established by the Karimun Regency, which includes the upgrading of several infrastructures and facilities, for a short as well as medium-to-long-term process.

Schools' quality enhancement will focus on upgrading facilities, improving the level of instruction and education, and launching safety campaigns, either in Elementary, Junior High and Senior High Schools, as well as in local Universities.

A short-term program allows employees to come from other regions to relocate with their families to Karimun Island, while medium-to-long-term ones support schools to train young people so that they can meet Saipem's business requirements in the near future.

## Total workforce in Indonesia by categories(\*) (%)



(\*) People from Employment Agencies excluded

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## Gajah Baru Project

Gajah Baru Project is an important project for Premier Oil that comprises the development of Gajah Baru, Naga and Iguana fields, with further production of required facilities which is duly underway.

In May 2009, PT Saipem Indonesia, jointly with SMOE Pte Ltd, was awarded a contract to manage this Project. Saipem's scope of the Project includes engineering, procurement of all equipment, construction and offshore installation of the two platforms as well as pipeline laying. Operations started in August 2009 and are expected to be completed in October 2011.

Among the fabrication services for the facilities carried out in Indonesia (Batam yard), works include fabrication of two jackets, two topsides, the pipeline and the Pipeline End Manifolds.

Approximately 250 employees, including 160 engineering specialists, have been mobilised for this Project. According to percentages, employed local Indonesians account for 86% of the overall resources and 90% of the engineering team. The project's scope is to achieve 34.73% of local procurement: this is a relative high percentage, considering the nature and complexity of such project. The procurement of domestic products and services has been maximised along

with the Project's technical specifications, including some critical equipment, *such as ICS, Switchgears, E&I cables*, apart from the supply of pressure vessels, glycol package, produced water treatment package, condensate treatment package, as well as bunkering vessels mobilised for offshore installations.

At the end of 2010 (20 months since the Project started), 3,841,585 man hours worked without LTI were achieved; while for the Total Recordable Incident Frequency Rate recorded, it was 0.78.

These results are remarkable and were mainly achieved through:

- the Project HSE Management System's commitment to managing occupational health and safety issues;
- the Project incentive scheme encouraging both individuals and groups to cultivate the correct habit of ensuring a safe working environment;
- the commitment of the Project management team to working with clients and subcontractors;
- the relentless enforcement of HSE standards;
- an extensive training program (a training target of 7.4 man hours for Project personnel for every 1,000 man hours worked).

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### **experts panel comments**

Saipem has identified well the risks and benefits in time for such an investment decision. Local Content planning is realistic and well embedded in all project phases. It is tackled as a success factor not to hamper and create delays to construction, justifying this investment, while directly contributing to leverage economic opportunities and social development in the area. Facts and numbers are well tracked allowing transparency and constructive discussions with project stakeholders, to enhance Local Content development.

Cyrille Putz

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