



# PROTECTING AND PROMOTING LABOUR RIGHTS

Saipem is committed to protecting and promoting labour rights in running its business. Saipem takes into account both internationally recognised labour standards and the local legislation in the countries in which Group companies operate. With specific reference to the management of employment relations worldwide, Saipem is bound by the principles of the UN Universal Declaration of Human Rights, the OECD Guidelines for Multinational Enterprises, as well as the formal commitment taken by Saipem’s CEO to promote and abide by the tenets set forth in the UN Global Compact.

Stakeholders to whom it matters	2016 Highlights	Saipem goals	UN GC Principles	Sustainable Development Goals
	Employees covered by collective bargaining contracts <b>58%</b> <hr/> Countries assessed on labour and human rights <b>62</b>	<ul style="list-style-type: none"> <li>Strengthen the risk assessment and management system on labour rights including suppliers and subcontractors</li> <li>Promote awareness on these topics among employees</li> <li>Strengthen employee grievance management</li> </ul>		  

In protecting and promoting labour rights, due attention is given to the core International Labour Organisation (ILO) conventions encompassing protection against forced and child labour, the promotion of non-discrimination in employment and occupation, as well as freedom of association and collective bargaining.

Especially with reference to the latter, Saipem has a sound record of relations with trade union organisations in a variety of locations and covering several segments of its business.

The management of potential conflicts with trade unions is preferably pursued through grievance procedures agreed on with the union in the industrial regulations which are negotiated from time to time.

A great effort has been made in the past two years to: (i) consolidate relations with local union representative; and (ii) strengthen the existing provisions in the industrial regulations already in force.

Saipem’s attention to labour rights extends also to offshore personnel with full compliance with the principles and the rights recognised to Seafarers promoted under the ILO Maritime Labour Convention (MLC) of 2006.

## SAIPEM ACTION PLAN ON HUMAN AND LABOUR RIGHTS

Saipem developed an action plan on human and labour rights in 2016. A short description of the main initiatives identified is provided below.

### Human and labour rights training

A training programme on human and labour rights is planned to be held in 2017 for HR personnel, general and branch managers, as well as project directors and managers.

The objective of the training course is twofold by looking at rights that must be recognised in the workplace both from a global and local perspective. On one hand, it will reiterate the approach pursued by Saipem in the global management of employment relations. On the other hand, the training will focus on the main employment issues in each country by analysing how international labour standards have been translated into local legislation. The training course has been divided in four distinct steps.

## TRAINING PROGRAMME ON HUMAN AND LABOUR RIGHTS



Saipem in 2016 performed a thorough country based risk assessment encompassing several labour rights related indicators provided by international organisations, international NGOs and trade unions.

The risk assessment has led to the distribution of the countries in which Saipem operates into three distinct categories related to the risk of abuse of human/labour rights, thus identifying high, medium and low risk countries. An in-depth analysis of legislation in force has been carried out for each country for four distinct labour rights domains (i.e. non-discrimination in employment and occupation, child labour, forced labour, freedom of association and collective bargaining).

The training programme will be delivered through an e-learning platform to maximise coverage. It will be divided into a general and a country-specific section for those countries characterised as at a high risk of labour/human rights abuses, while a single module focusing on the main labour issues shall be delivered in the locations considered with a medium and low risk of abuse.

The training programme will be delivered twice in 2017 to Saipem personnel employed in high risk countries and once in the remaining areas.

### **Strengthening communication channels for employees**

Saipem is in the process of exploring ways to strengthen the management of employee grievances taking into account the different national and operative contexts. This initiative builds on existing regulatory instruments encompassing both internal and external stakeholders.

### **Recruiting and managing international personnel**

Global Petroprojects Services (GPS AG) is a subsidiary of the Saipem Group. Established in 1964, it has been licensed for international recruitment and manpower

## **ELECTION OF THE SPECIAL NEGOTIATING BODY**

Saipem is in the process of starting the necessary procedure for the election of the Special Negotiating Body in advance of the establishment of the **European Works Councils (EWC)**, bodies representing the European employees of a company or groups of companies operating in the European Economic Area.

The definition of a procedure for the election of the Special Negotiating Body and the protections reserved to the elected representatives determined by local legislation in each country is under definition.

supply since 1994. GPS AG is a human resources centre of excellence which provides a complex spectrum of onshore and offshore HR related services to Saipem worldwide, in addition to other auxiliary services. It operates combining business peculiarities with the evolution of the market.

In 2013, the Swiss Navigation Office certified GPS AG as a Seafarer's Recruitment and Placement Services agent in compliance with the ILO MLC 2006.

GPS AG, for certain specific contexts, mainly to comply with domestic legislation, is supported by local manpower agencies to recruit skilled blue collars and manage specific logistic duties (i.e. visa, travel). In the framework of its human and labour rights commitment, Saipem has in place a rigorous process in the selection of manpower suppliers which are

## **MANAGEMENT OF ONBOARD COMPLAINTS**

Seafarers have the right to file a complaint should any breaches of their rights occur. Saipem issued a standard procedure entitled 'Management of onboard complaints', which describes how the process is structured, complaint resolutions are managed and records are kept.

The main principle is that seafarers have the right to be represented by the onboard seafarers' representative, or any other external entity.

To guarantee that every seafarer is aware of his/her rights, in addition to a copy of their employment agreement, all seafarers shall be provided with a copy of the standard procedure and all the forms that make up the complaint procedure. The seafarer shall acknowledge receipt of the above mentioned documents.

Whenever a seafarer wishes to submit a complaint, he/she should address the complaint to the seafarer representatives available on board.

The main role of the seafarer representative is to confidentially provide seafarers with impartial advice on their complaint and assist in implementing the onboard complaint procedure. Seafarer representatives act, as much as possible, as an effective buffer for preventing the escalation of complaints and to solve any related issues. Any claim of victimisation should be investigated by the master and/or company, and any instances of victimisation must be dealt with under the company's disciplinary procedures.

considered strategic partners in order to identify and properly manage highly skilled Oil & Gas professionals. With a view to promoting fruitful cooperation, GPS AG proactively engages these important stakeholders. In addition to day-to-day interactions, starting in 2013, GPS AG organised 2 workshops (1 in the Middle East and 1 in Europe) for representatives of qualified manpower agencies to further strengthen their understanding of Saipem's expectations and policies.

In order to maximise the targeted audience, GPS AG has recently developed a tailored e-learning programme. Its training modules cover themes, such as fighting corruption, social responsibility, integrity, ethical supply chain, health and safety, etc.

GPS AG constantly monitors how manpower agencies manage sensitive processes such as recruitment practices. This is performed through audits at the vendor's premises and phone interviews to GPS AG's international personnel.

Said ad-hoc audits are carried out to verify compliance with ISO 9001, MLC 2006 and the Code of Ethics' requirements, while personnel interviews are conducted by phone when the employees are in their off-duty period. This multi-purposed engagement:

- ensures that people management is handled in accordance with the highest ethical standards and local regulations. In particular, GPS AG verifies that manpower agencies do not require payment of any placement fees or other compensation to access Saipem employment proposals; or that each employee is provided with the Security Booklet for his/her most recent country of assignment. The Security Booklet is a key tool for understanding the risks and customs of the country in which the person is deployed;
- checks the knowledge of English in order to evaluate the ability to understand basic safety instructions;
- as a member of the Organisation, assesses recruited personnel's satisfaction with overall professionalism, work environment and the job.

Feedback collected demonstrated a good level of people's satisfaction and confirmed that manpower agencies meet Saipem's requirements.





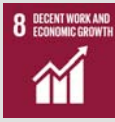

**Employees  
interviewed in 2016**

**212**



# A SUSTAINABLE SUPPLY CHAIN

Vendors are key players for Saipem's business and its success. While providing equal business opportunities, suppliers and subcontractors are selected based on the principle of open competition. Vendor reliability is evaluated also from a sustainable and ethical point of view.

Stakeholders to whom it matters	2016 Highlights	Saipem goals	UN GC Principles	Sustainable Development Goals
	Total spent by Saipem on vendors who were issued feedback <b>72%</b>	<ul style="list-style-type: none"> <li>• Include a more systematic assessment of compliance with labour rights in the new vendor qualification process</li> <li>• Conduct labour rights training for employees to increase awareness and competency</li> <li>• Collect vendor feedback with regard to compliance with labour rights</li> </ul>	 	  
	Countries where local supplier development projects were implemented <b>4</b>			

The Saipem Ethical Supply Chain Management System consists of different interrelated phases which can be summarised as following:

1. Vendor qualification;
2. Purchase Document preparation and award;
3. Vendor performance monitoring and feedback.

## VENDOR QUALIFICATION

As part of the entire procurement cycle, the vendor qualification process aims to evaluate third party technical/organisational capability, ethical practices and economic and financial reliability to enable vendor acceptance within the Saipem Group.

Taking into account specific drivers such as the types of services provided and country of operation, vendors

must undergo document verification including also:

- Health and Safety;
- human rights (child labour, forced or compulsory labour, freedom of association and the right to collective bargaining, discrimination, working hours and remuneration);
- Compliance and Anti-Corruption (Code of Ethics).

## QUALIFICATION QUESTIONNAIRES ON LABOUR RIGHTS ANALYSED

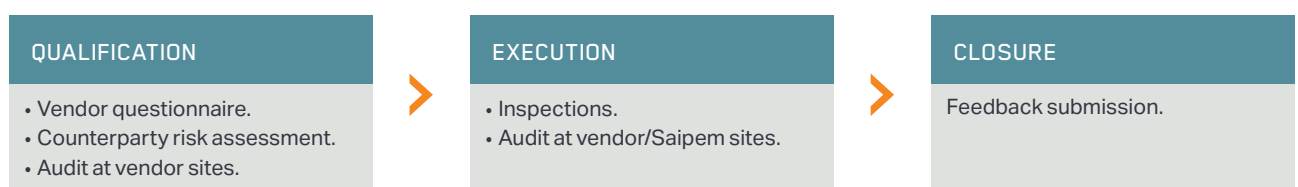
In 2016

**106**

Since 2013

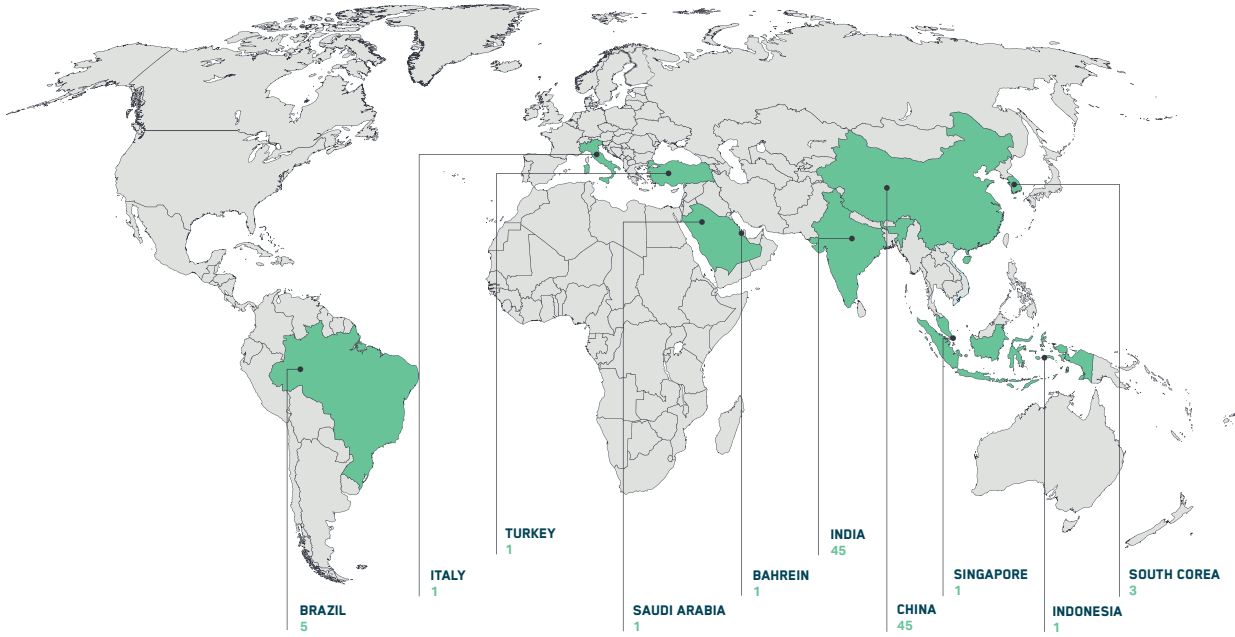
**1,192**

## SAIPEM ETHICAL SUPPLY CHAIN MANAGEMENT SYSTEM



The graph provides a comprehensive overview of the process. Not all points described are mandatory for every commodity code or vendor country.

**AUDITS ON LABOUR RIGHTS (2011-2016)**



For the specific commodity codes, vendors are subjected to a counterparty risk evaluation process which entails the analysis of economic, financial, technical, HSE, and organisational capabilities, in addition to the assessment of Anti-Corruption and reputational risks for Saipem. The above evaluation aims to identify and prevent potential risks for Saipem. Protecting Saipem's reputation is guaranteed through in-depth relevant controls on, but not limited to, anti-corruption, involvement in any type of penal offences or terrorism activities by the vendor, its control chain structure, top management and the Board of Directors. Depending on the supplier's criticality, the qualification process may require an assessment visit which consists of an on-site verification of the vendor's activities, as well as of its technological, managerial, production, quality, HSE and logistics capabilities.

**Total qualification audits performed in 2016** 46

For specific geographic areas, selected as a result of a human rights risk assessment, the assessment visit may also include labour rights aspects.

**A sustainable supply chain starting from the supplier qualification phase**  
 With the ultimate objective of assessing the alignment of suppliers with human and labour rights standards and Saipem's principles and following up on the project started in 2011, Saipem organised its sixth audit campaign in 2016 for selected vendor operating sites. The audits sought to collect information

on the performance of suppliers with regard to major social responsibility issues such as child and forced labour, freedom of association and the right to collective bargaining, remuneration, working hours, discrimination and disciplinary practices, and health and safety. The results of the visits are condensed into audit reports that are then submitted to the Sustainability Committee. As in previous campaigns, improvement actions are proposed where appropriate.

As in past years, the overall results showed no major problems in terms of sensitive issues such as child or forced labour, nevertheless main improvement options were identified in employee management both in terms of health and safety and working hours while positive observations were related to the efforts to improve women's conditions in the workplace and to favour union activities.

**Audits on labour rights and HSE in 2016** 11

**Audits on labour rights since 2011** +100

**PURCHASE DOCUMENT PREPARATION AND AWARD**

Saipem is committed to conducting relations with vendors in accordance with the highest standards of ethics, complying with all applicable legislation and the Code of Ethics and safeguarding Saipem's image and that of its affiliates in the market. Environmental, social and governance

factors and requirements are dealt with in Saipem's General Terms and Conditions for purchase documents.

Activation of the procurement process is related to the following activities:

- Tender phase;
- Purchase document award.

Prior to any purchase document award, checks are performed to verify that vendors are compliant with technical requirements, integrity aspects and all authorisations as per applicable health, environmental and safety legislation. Tender documents always include HSE requirements for vendors and Saipem's Code of Ethics.

As per Saipem standard templates, vendors shall declare receipt and acknowledgement of contents of the 'Sustainability Policy' whereby Saipem is committed to acting as a sustainable Company, to contributing to long-term growth and value creation through the effective involvement of all legitimate stakeholders. Each party declares that its activities under the purchase order shall, in no event, imply unacceptable risks to people or the environment, and undertakes to manage and mitigate these risks in its everyday operating activities. If local requirements and standards do not exist or are inadequate for managing the above risks, the parties agree to operate in accordance with relevant internationally accepted best practices.

Moreover vendors, when dealing with Saipem SpA, are requested to accept Model 231 which includes the Saipem Code of Ethics. In the same way, when dealing with Saipem SpA affiliates, vendors are requested to accept the OM&C Model and the Code of Ethics.

For specific activities, services and materials, when the value of the supply is above a predetermined amount, the specific vendor is subject to a counterparty risk evaluation (the same process is also performed during the vendor qualification phase). When necessary, the Anti-Corruption Legal Department is also involved.

## VENDOR MONITORING AND FEEDBACK

Vendor performance is continuously monitored and Saipem's relevant functions are asked to provide feedback regarding the performances of vendors in terms of labour and safety (e.g. occurrence of accidents/injuries during work execution, compliance with applicable HSE legislation and contractual specifications, existence of legal proceedings for serious violations/offences).

In 2016, 47 vendors were disqualified because they were no longer considered compliant with Saipem's standards (due to negative performance, financial instability or breach of regulations).

**Vendors with feedback  
(issued and ongoing)**

**3,533**

The feedback evaluation questionnaire for materials was revised in 2016 and specific sustainability sections were included, relating in particular to labour rights, working conditions and in compliance with the Code of Ethics principles. The revision of the feedback service module is ongoing.

**Vendor feedback modules  
issued in 2016**

**1,475**

## HUMAN RIGHTS AND THE SUPPLY CHAIN

An **internal training programme on human rights and the supply chain** has been implemented since June 2016 for different functions involved in the supply chain control system, such as Vendor Management, Post Order and Health, Safety & Environment.

**In conducting both its activities as an international company and those with its partners, Saipem stands up for the protection and promotion of human rights – inalienable and fundamental prerogatives of human beings.**

**Saipem's Code of Ethics**

Saipem has set its principle for the protection and promotion of human rights at the highest level in the Saipem Code of Ethics and in the Sustainability Policy. In line with these, the programme reiterates Saipem's commitment to respecting human rights and to promoting respect for human rights by its suppliers and subcontractors. The training is targeted at both Saipem employees directly involved in audit activities on suppliers and subcontractors, and at employees who know and interact with suppliers.

The central part of the programme deals with relevant Saipem topics, the same as those addressed in the ILO Fundamental Conventions: discrimination, forced/compulsory labour, child labour, safeguarding dignity (remuneration, working hours, disciplinary practices), freedom of association/collective bargaining and the protection of health and safety.

Training highlighted the role each employee can play in order to report or provide feedback on serious situations where human rights are not guaranteed and respected. So far training sessions have been implemented in

Italy for employees in San Donato Milanese, Fano and Marghera. The training programme will soon be available in an e-learning format to reach employees all over the world.

## TRAINING IN FIGURES

Participants since June 2016	147
Training sessions	13
Training man-hours	245



### STRENGTHENING THE LOCAL SUPPLY CHAIN

#### Knowledge transfer to Chilean vendors

The Codelco Project, which consists of a water pipeline and all related facilities development in Chile, is the first onshore project in Chile for Saipem. For this reason massive local market scouting was conducted.

Local vendors qualified in 2016 **88**

Furthermore, the vendors involved in site activities were subjected to specific training sessions to make them aware of the project's HSE rules and procedures.

Local vendor representatives that participated in training sessions **27**

In addition, a LiHS (Leadership in Health & Safety) workshop was performed also with the participation of the client.

Participants in the LiHS workshop **14**

A three-week training session on 3D Modelling with a specific software was arranged for Saipem local engineering suppliers in order to align work methodologies and tools. The session focused on a number of topics such as design utilities, equipment modelling, pipework modelling, structural modelling, cableway & cable modelling, etc.

3D Modelling training participants **12**



LiHS workshop, Codelco project



### Partnering with local businesses to create local value

Ersai (Saipem's local company in Kazakhstan) contributes to the development and growth of the local economy by also involving local businesses in its activities. In September, the company organised a Sustainability Forum among its potential suppliers and subcontractors to achieve the different goals of:

- developing potential partnerships with local suppliers and subcontractors for the implementation of future projects;
- introducing the main principles of Ersai's Sustainability Policy;
- involving suppliers and subcontractors in the social life of the community where they operate;



Sustainability Forum for suppliers and subcontractors

- making suppliers and subcontractors aware of Ersai initiatives, the sustainability plan and presenting the projects;
- maintaining good relationships with suppliers and subcontractors.

As a result, some local suppliers and subcontractors were actively involved in different Ersai programmes to promote socio-economic development (such as the project to open a psycho-educational centre in Aktau; the realisation of the 'Mentors' project for orphaned children; support for the Youth Football League in the Mangystau region, etc.).

### Promoting an HSE culture among subcontractors

Cooperation and engagement in HSE-related issues contribute to fostering the win-win strategy Saipem has established with its subcontractors. Over the past few years, HSE forums were delivered in different countries to subcontractors to help improve their knowledge and culture in the field. For the third year running, the Middle East area hosted an HSE forum. Following previously organised forums in Saudi Arabia in 2014 and 2015, one was organised at the Saipem logistics base in Sharjah on December 6, 2016. It was attended by local Saipem personnel as well as by the top management of the subcontractors involved in project operations.

The first part of the event focused on Saipem, Saipem presence in the UAE and commitment to HSE topics. Saipem safety performances and programmes (such as the 'We Want Zero' and the 'Leadership in Health & Safety') were presented. The requirements Saipem expects to be fulfilled by subcontractors were then explained to participants, including health, general and industrial hygiene requirements; offshore vessel safety requirements;

applicable International standards; lessons learned from incidents; environmental requirements and best practices.

The second part of the forum gave subcontractors the opportunity to introduce themselves and present their areas of expertise and activities. The day ended with questions and answers and a final discussion. A common commitment to health and safety will allow significant benefits to be obtained from all project activities in terms of results, levels of integration and team work. Achieving improvements in the HSE culture of subcontractors represents a concrete investment in the local economy and will be of direct benefit to Saipem.

**Subcontractors who participated in the forum in 2016** **16**

**Total subcontractors who participated in the HSE forums in the Middle East area in 2014-2016** **42**

### Making local vendors aware of business opportunities

Saipem electronically manages the bid process and collects all the bids using the Web. To help vendors take full advantage of this service, Saipem organised a number of workshops on 'e-procurement' in the Congo in 2016, as was previously organised in Nigeria in 2015.

The online bidding system, known as e-Bidding Service, allows on-line communication with bidders, an on-line document exchange, complete tracking of bid receipts & openings, and overall, simplifies the secure-bid procedure.

The aim of the training workshop was to explain to vendors the use of the e-Bidding Service as bidders. Vendors learned about the entire process starting from Saipem's tender publication to their response, in addition to general information about the portal structure. During the workshop, vendors could watch sample simulations; furthermore, they received the Bidder Manual, a tool that details all the relevant information presented during the day.

**Vendors participating in the workshops** **83**

**Participants** **+160**

