

# ETHICAL SUPPLY CHAIN

## Vendors are key players and a sustainable supply chain is a prerogative of Saipem's business and its success



Saipem is committed to keeping and developing long-lasting understanding and trust with the Company's vendors and business partners. The Saipem Ethical Supply Chain Management System consists of three different interrelated phases: vendor qualification; purchase document preparation and award; and vendor performance monitoring and feedback.

Further details on Saipem's approach to the Supply Chain management can be found in the 'Consolidated Non-Financial Statements' of the Annual Report 2017.

2017 Highlights	UN GC Principles	Sustainable Development Goals
Vendor qualification audits on labour rights <b>14</b>	 	
Vendors qualified <b>-7,000</b>		

### SELECTING RELIABLE AND ETHICAL VENDORS

A vendor risk assessment is in place during the vendor qualification phase to identify vendors based on ethical and sustainability risks depending on the country of operation and/or criticality of the commodity codes. From the human and labour rights (HLR) perspective, vendors operating in countries classified as high risk in these terms are analysed based on the information and documents they submit during the qualification phase (questionnaire). Similarly, for specific commodity codes considered as high risk for health and safety, a specific assessment is carried out to evaluate the Vendor's HSE management system.

**Vendor qualification questionnaires on labour rights analysed in 2017** **-100**

**Vendor qualification questionnaires on labour rights analysed since 2013** **+1,280**

Depending on the supplier criticality, the qualification process may require an assessment visit which consists of on-site verification of vendor activities, as well as of its technological, managerial, production, quality, HSE and logistics capabilities. Vendors operating in high risk countries may be subject to an assessment visit also including labour rights aspects. The audit scope focuses on child and forced labour, freedom of association and the right to collective bargaining, remuneration, working hours, discrimination, disciplinary practices, and health and safety.

As in previous years, results in 2017 of the audits on HLR showed no major issues in terms of sensitive areas such as child or forced labour, nevertheless main improvement

options were identified in health and safety management and working hours, while there were positive observations in terms of overall employee management, remuneration and workers' representation.

**Percentage of vendors audited on HLR in high risk countries/total vendors audited in high risk countries** **88%\***

\* 2017 objective: 80%.

### SAIPEM TAKES A CHANCE ON ITS SAUDI VENDORS

Saipem has been awarded a contract for the Hawiyah Gas Plant Expansion Project located in the south-east of the Arabian Peninsula, which is part of the development plans to meet the country's energy needs. The scope of work includes, as part of the main activities, the construction of two natural gas treatment units, gas dispatch units and associated utility systems.

Saipem has extensive experience and knowledge of the Saudi context and broad knowledge of local suppliers and subcontractors. This experience allows Saipem to identify the strengths and weaknesses of each supplier in relation to their technical skills and competences and ability to meet deadlines and keep to a schedule during contract execution, adhere to quality assurance international standards, and align and comply with Health, Safety and Environmental standards and financial capabilities.

Leveraging on this information, Saipem will select a series of local vendors to be supported to improve their performance through a specific development plan. The development plan will include the following potential activities to be implemented during the execution phase of the project:

- training courses and/or seminars (on project management, quality assurance, international health and safety standards and procurement management);
- know-how transfer and on-the-job training through specialised monitoring activities;
- partnership opportunities and knowledge transfer with foreign specialised companies;
- support for foreign companies to set up activities/production in the country.

This activity will be aimed at two different types of local vendors:

- already existing Saudi companies which may improve their competitiveness at the national and international level;
- potential Saudi entrepreneurs or self-entrepreneurs who are interested in setting up new companies.

Saipem will work closely with its selected vendors to encourage long term creation of businesses in the Country. This facilitation process will include among others: invitation to the representatives of Saudi companies to visit a number of Italian specialised companies to exchange knowledge and create possible fruitful collaboration and organisation of a business event involving foreign and Saudi vendors for the purpose of creating contacts and relations among the companies.

### PROMOTING DECENT WORK ALONG THE SUPPLY CHAIN

In line with Saipem's commitment not only to respecting but also to promoting human rights, since 2016 an **internal training programme on human rights and the supply chain** has been implemented for different functions involved in the supply chain control system, such as Vendor Management, Post Order and HSE. Training in 2017 focused on Post Order Function employees since, due to the nature of their job, they frequently visit and interact with suppliers.

The training programme includes a general introduction on human rights, focusing on international standards and principles and on Saipem's commitment to guaranteeing decent work to suppliers and subcontractors. A second part analyses relevant topics, based on the ILO Fundamental Conventions: discrimination, forced/compulsory labour, child labour, remuneration, working hours, disciplinary practices, freedom of association/collective bargaining and the protection of health and safety. Finally, training highlights the role each employee can play in order to report or provide feedback on serious situations when human rights are not respected that may be encountered at vendor sites. Between 2016 and 2017 training sessions involved all employees from the Post Order Function in Italy (San Donato Milanese, Fano and Marghera), Brazil, Kazakhstan, India, China, Mexico, Nigeria and Saudi Arabia.

### FOCUS ON STRENGTHENING THE HSE COMPETENCE OF SUBCONTRACTORS

Cooperation and engagement in HSE-related issues contribute to fostering the win-win strategy Saipem has established with its subcontractors. For this reason, HSE training was delivered to subcontractors to help improve their knowledge and competencies in the field. A common commitment to HSE allows significant benefits to be obtained from all project activities in terms of results and levels of integration.

**HSE training man-hours delivered to subcontractors compared to 2016** **+54%**

Additional employees of the Post Order Function will complete training in 2018.

### TRAINING ON HUMAN RIGHTS AND THE SUPPLY CHAIN IN FIGURES SINCE 2016

Participants	<b>+260</b>
Training sessions	<b>20</b>
Training man-hours	<b>+400</b>
Countries involved	<b>8</b>



### PROMOTING DECENT WORK

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 **Human Rights and Supply Chain programme** reiterates Saipem's commitment to respecting human rights and to encouraging its suppliers and subcontractors to pursue decent work.