

SAIPEM MODERN SLAVERY STATEMENT 2017

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This statement describes the policies and the actions taken by the Saipem Group¹ in the last year to develop and implement measures and enhance the systems and processes already in place to ensure the respect for human and labour rights and prevent modern slavery and human trafficking in its business and supply chain. This document is published in line with the UK Modern Slavery Act 2015.

ABOUT SAIPEM

Saipem is one of the global leaders in drilling services, as well as in engineering, procurement, construction and installation of pipelines and complex projects, onshore and offshore, in the Oil&Gas market. Saipem has

distinctive competences in operations in harsh environments, remote areas and deep-water and provides a full range of services with contracts on an 'EPC'² and/or 'EPCI'³ ('turn-key' basis), as well as distinctive capabilities and unique assets with the highest technological content.

115

NATIONALITIES

35,918

EMPLOYEES

67

COUNTRIES WHERE SAIPEM OPERATES

OUR POLICY AND COMMITMENT

Saipem's regulatory system is based on, and is consistent with, the general framework, which comprises: legal provisions, the Articles of Association, the Corporate Governance Code, the CoSO Report, the Organisation, Management and Control Model (OM&C Model⁴), which includes the Code of Ethics and the internal control system over financial reporting. The OM&C Model is implemented by Saipem, in order to prevent the commission – in the interest or to the benefit of the Company – of offences punished by Italian Legislative Decree No. 231 of June 8, 2001, among which are listed crimes against human and labour rights such as crimes against individuals, protection against child prostitution and child labour exploitation and, more recently, crimes relating to unlawful intermediation and labour exploitation.

CODE OF ETHICS

Our Code of Ethics sets out the principles and commitments undertaken by the Saipem Group in order to adhere to ethical business practices and to comply

with legal requirements. The Code of Ethics states the rejection of any form of discrimination, corruption, forced or child labour and the promotion of human rights. Particular attention is paid to the acknowledgement and safeguarding of the dignity, freedom and equality of human beings, the protection of labour and of the freedom of trade union association, of health, safety, the environment and biodiversity, in accordance with International Institutions and Conventions. In this respect, Saipem operates within the reference framework of the United Nations Universal Declaration of Human Rights, the Fundamental Conventions of the ILO, the OECD Convention, and the UN Global Compact principles.

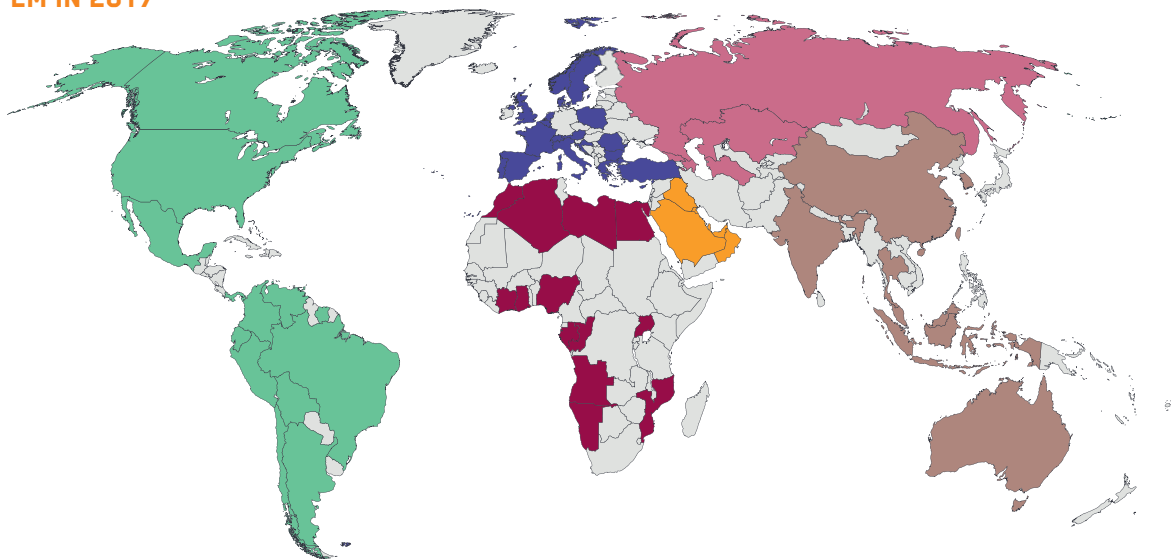
The Code of Ethics applies to all Saipem directors, statutory auditors, management and employees and by everyone working in Italy and abroad to achieve Saipem's objectives, as well as by third parties with which Saipem collaborates. Saipem' Code of Ethics states the undertaking of Saipem to cooperate with third parties with suitable professionalism and who are committed to sharing the principles and contents of the Code of Ethics and who promote the

 [Code of Ethics](#)

 [OM&C Model](#)

(1) The Saipem Group refers to the parent company Saipem SpA and its consolidated subsidiaries as identified in the 2017 Annual Report.
(2) EPC (Engineering, Procurement, Construction) is a type of contract typical of the Onshore Engineering & Construction segment, comprising the provision of engineering services, procurement of materials and construction.
(3) EPCI (Engineering, Procurement, Construction, Installation) is a type of contract typical of the Offshore Engineering & Construction segment, for the realisation of a complex project where the global or main contractor provides engineering services, procurement of materials, construction of the system and its infrastructure, transport to site, installation and commissioning/preparatory activities for start-up of operations. Please refer to our website for additional information www.saipem.com.
(4) In accordance with Italian Legislative Decree No. 231 of June 8, 2001, the Organisation, Management and Control Model provides, according to the nature and size of the organisation, as well as the type of business conducted, measures capable of preventing crimes identified by the Decree and relevant for the Company.

SAIPEM IN 2017



AMERICAS

Employees (No.)	1,849
Goods and services ordered (€ mln)	331
Qualified Vendors (No.)	6,541

AFRICA

Employees (No.)	6,258
Goods and services ordered (€ mln)	738
Qualified Vendors (No.)	3,271

MIDDLE EAST

Employees (No.)	11,472
Goods and services ordered (€ mln)	1,367
Qualified Vendors (No.)	3,439

FAR EAST AND OCEANIA

Employees (No.)	3,313
Goods and services ordered (€ mln)	1,268
Qualified Vendors (No.)	3,060

CIS

Employees (No.)	2,743
Goods and services ordered (€ mln)	454
Qualified Vendors (No.)	1,780

EUROPE

Employees (No.)	10,283
Goods and services ordered (€ mln)	2,264
Qualified Vendors (No.)	8,254

establishment of long-lasting relations for the progressive improvement of performance while protecting and upholding the principles and contents of the Code.

The Code of Ethics provides the appropriate channels that allow an adequate information flow in order to investigate any report related to the violation of the Code of Ethics. In order to facilitate the reporting flow, Saipem has set up specific communication channels set out in the Whistleblowing procedure published on the Company Intranet and Internet Sites and accessible to all Saipem employees and third parties. All reports are fully investigated and appropriate remedial actions taken.

Wistleblowing procedure

Human Rights Policy

HUMAN RIGHTS POLICY

Saipem's Human Rights Policy sets out our commitment to respecting human rights and complying with laws, rules and regulations governing human rights in the countries in which we operate. This includes specific provisions addressing slavery, human trafficking, forced labour, child labour and upholding each employee's right to the freedom of association. The Policy applies to all Saipem people and has been distributed company-wide.

Sustainability Policy

SUSTAINABILITY POLICY

Saipem's Sustainability Policy reinforces the commitment to upholding internationally recognised human rights and to promoting this commitment in business activities

carried out with partners or entrusted to contractors and subcontractors. Everywhere we operate, we strive to contribute to the creation of the socio-economic conditions required for the effective enjoyment of fundamental rights and promote the professional growth and well-being of our resources.

RISK ASSESSMENT

As an international industrial group operating in 67 countries in every area of the world, Saipem is aware of the role it can play in the economic contexts and the risks that are associated with its activities including risks related to human rights and human trafficking issues. To this end, Saipem 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 led to the distribution of the countries in which Saipem and its suppliers operate into three distinct categories related to the risk of abuse of human/labour rights, thus identifying high, medium and low risk countries. In addition, for each country where Saipem is operating, an in-depth analysis of legislation in force has been carried out for four distinct labour rights domains (i.e. non-discrimination in employment and occupation, child labour, forced labour, freedom of association and collective bargaining).

MANAGING OUR PEOPLE

Our Code of Ethics recognises the importance of acknowledging and safeguarding the dignity, freedom and equality of human beings, the protection of labour and the freedom of trade union association, health, safety, the environment and biodiversity.

Saipem guarantees its employees, based on specific local circumstances, different types of benefits that may primarily concern: supplementary pension funds, additional health funds, mobility support services and policies, initiatives in the field of welfare and family support policies, catering and training courses aimed at ensuring more effective integration within the socio-cultural context of reference.

DIVERSITY AND EQUAL OPPORTUNITIES

Saipem is committed to creating a work environment in which diversity and personal and cultural views are considered to be resources and sources of mutual enrichment, as well as key factors for business sustainability. This commitment is an essential point of the 'Our people' Policy. As set out in the Code of Ethics, in full compliance with the legal and contractual regulations on the subject, Saipem is committed to offering equal opportunities at work to all its employees, in recruiting, hiring, training, compensation and overall management, avoiding any form of illegal recruitment, mistreatment, forced or child labour and guarantying a fair statutory and wage policy exclusively based on merit and expertise, without discrimination of any kind. Any behaviour constituting physical or moral violence or harassment is strictly forbidden without any exceptions.

The protection of specific categories of workers is safeguarded through the application of local regulations and strengthened by specific company policies, which highlight the importance of this issue. The goal is to ensure equal opportunities for all types of workers in an effort to deter the onset of prejudice, harassment and discrimination of any kind (e.g. related to sexual orientation, colour, nationality, ethnicity, culture, religion, age and disability) fully respecting human rights. Specific regulations in different operating companies also provide for the obligation of a minimum inclusion of disabled or young personnel,

OUR PEOPLE IN NUMBERS

Employees	35,918
People employed locally	76%
Women	11%
People hired through employment agencies	5,829
Local managers	46%
Employees covered by collective bargaining agreements	49%

 Source: Sustainability Statements 2017

or compliance with a certain proportion between local and expatriate personnel. As regards gender diversity, the percentage of women holding managerial positions with respect to the total number of women increased from 15% in 2016 to 18% in 2017. Saipem is equipped with precise guidelines to standardise compensation policies and reduce the pay gap between men and women in all the local realities where it operates. Saipem supports the work/family balance of its personnel through company regulations and/or local policies, which guarantee parental leave. These leaves differ only in time and method of abstaining from work.

INDUSTRIAL RELATIONS

Given the global nature of the environment in which Saipem operates today, which encompasses a wide range of socio-economic, political, industrial and legislative situations and conditions, the management of industrial relations requires maximum care and attention. Our industrial relations model has focused on ensuring the harmonisation and optimal management of relations with trade unions, employer associations, institutions and public bodies in line with Saipem's policies.

Over 2017, International Industrial Relations were characterised by the renewal of a set of collective agreements in different operating entities. New collective agreements in joint ventures in Angola were signed in the first half of the year, with the introduction, among

FOCUS ON

PLANNED CONVOCAION OF THE 1ST MEETING OF THE EUROPEAN WORKS COUNCIL

2017 led to the approval of the Agreement regulating Saipem's European Works Council following the election and summoning of the representatives to the Special Negotiating Body. The establishment of the European Works Council in representation of the employees of Group companies operating in the European Economic Area is in line with the reference European regulation, as well as with the efforts made by the Management to promote effective information sharing and consultation with the workforce. The first meeting of the newly established European Works Council will be held in 2018.

other things, of a health care system for employees and their families. Collective agreements were also renewed for personnel employed by Saipem Services Mexico and at the Karimun yard in Indonesia and for drilling personnel employed in Peru. Furthermore, the renewal of the collective agreement for workers employed by Ersai (Kazakhstan) is consistent with the amendment to labour legislation enacted in the meantime in the country.

Saipem promotes and encourages a constant open dialogue between employer and employees so that the interests of the parties can be best realised in consideration of the fact that a regular and effective communication flow between the two parties appreciably reduces the probability of misunderstandings and conflict arising at the workplace.

Saipem's attention to labour rights extends also to offshore personnel with full abidance to the principles and the rights recognised to seafarers promoted under the ILO Maritime Labour Convention of 2006 (MLC 2006). Seafarers also have the right to submit a complaint according to a structured process if a violation of their rights arises. In order to guarantee that each person is aware of their rights, all people working on offshore vessels receive a copy of the related procedure and all the forms necessary for the complaint, together with a copy of their employment agreement. The captain or the Company, or both, examine any complaint and any instance of harassment is managed in compliance with the Company's disciplinary procedures.

PERSONNEL HIRED THROUGH EMPLOYMENT AGENCIES

For certain specific contexts, and mainly to comply with domestic legislation, Saipem is supported by local manpower agencies to recruit local employees, especially skilled blue collars. In the framework of its human and labour rights commitment, Saipem has a rigorous process in place for recruiting employment agencies, which are considered strategic partners in order to identify and properly manage highly skilled Oil&Gas professionals. A monitoring system of how employment agencies manage sensitive processes such as recruitment practices

has been implemented; this is performed through audits at the vendor's premises and phone interviews with personnel. Audits are carried out to verify compliance with ISO 9001, the ILO Maritime Labour Convention 2006 and the Code of Ethics' requirements, while personnel interviews are conducted by phone when the employees are in their off-duty period.

Employees from employment agencies interviewed (2016-2017) **+300**

PROMOTING HUMAN AND LABOUR RIGHTS

In the course of 2017 Saipem implemented several initiatives to promote the respect for internationally recognised human rights. A training programme on human and labour rights focusing on local legislation and labour practices was delivered to HR Managers and HR personnel operating in 20 countries through an e-learning platform to facilitate access by a large number of recipients. The training initiative also led to the set-up of an extensive database on legislation in each of the concerned countries specifically addressing forced labour, child labour, non-discrimination, freedom of association and collective bargaining. The collected material will support the HR functions in the countries affected in framing and implementing the most appropriate line of action regarding human rights issues. The training programme will be further extended in 2018 to also include HR personnel and local top management.

HR Managers and coordinators reached by the human and labour rights training programme in 2017 **31**

HUMAN RIGHTS AT OPERATIONAL LEVEL: HOPE

In 2013, Saipem launched an internal awareness training programme called HOPE (Human OPERational Environment): the programme is specifically targeted at managers working at the operative level at sites and projects in the Operations, Human

Resources, HSE, Security and Community Relations functions. The programme is aimed at helping the functions identify appropriate managerial and behavioural solutions in managing all human rights issues that may arise during their day-to-day activities. Therefore, it is specifically focused on each local context, analysing the social, ethical and cultural context of the area of operations, and it is designed to be interactive to guide the process of decision making in case of conflicts. In 2017, the training session carried out in Angola specifically focused on the local context of the Kaombo FOS project. A total of 9 people from the project participated, including the Project Manager. Practical cases were analysed and discussed to identify adequate solutions and approaches to managing potential human rights aspects.

MANAGING OUR SUPPLY CHAIN

Considering Saipem’s international orientation as an industrial Group and the extent of its activities, it has a highly complex supply chain and relied on more than 26,000 first-tier vendors, of which around 7,000 qualified in the year. Therefore, our activities to address human rights risks within our supply chains have primarily focused on our Tier 1 suppliers. The Saipem ethical supply chain management system consists of different interrelated phases as represented in the figure below.

As per Saipem standard templates, vendors are required to declare receipt and acknowledgment of the contents of the ‘Sustainability Policy’ whereby Saipem is committed to acting as a sustainable Company and to contributing to long-term growth and value creation through the effective involvement of all legitimate stakeholders.

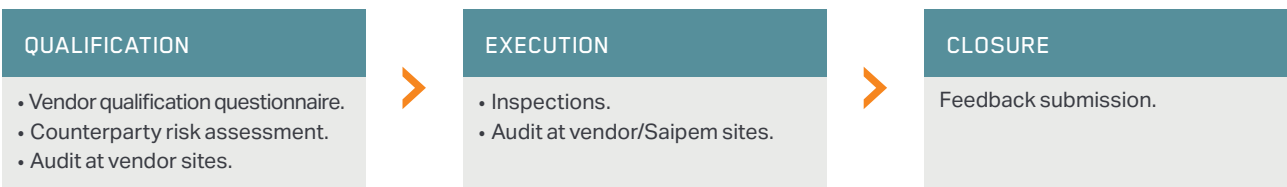
Each party declares that its activities under the purchase order shall, in no event, entail unacceptable risks to people or the environment, and undertakes to manage and mitigate these risks in its everyday operating activities. If local requirements and standards do not exist or are inadequate for managing 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.

QUALIFICATION

As part of the entire procurement cycle, the vendor qualification process aims to evaluate a potential vendor’s 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 the country of operation, assessed in terms also of the risk of human rights violations as described above, vendors must undergo document verification that also include:

- Compliance & Anti-Corruption requirements;
- Human & Labour Rights management (child labour, forced or compulsory labour, freedom of association and the right to collective bargaining, discrimination, working hours and remuneration);
- Health & Safety management and employee protection. For specific commodity codes, vendors are subjected to a counterparty risk evaluation process which entails the analysis of economic, financial, technical, HSE, and organisational capabilities, as well as the assessment of

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.

Anti-Corruption and reputational risks for Saipem.

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's criticality, the qualification process may require assessment visits which consist in an on-site verification of the vendor's activities to check its technological, managerial, production, quality, labour rights, HSE and logistics capabilities.

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

* 2017 objective: 80%.

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.

EXECUTION

Prior to awarding any purchase documents, checks are performed to verify that vendors are compliant with technical requirements, integrity aspects and all authorisations as per applicable health, environmental and safety legislations; tender documents always include HSE requirements for vendors and the commitment to comply with the principles contained in Saipem's Code of Ethics. As per Saipem standard templates, vendors shall declare receipt and acknowledge the contents of the 'Sustainability Policy' and the OM&C Model and are required to comply with the principles contained in the Code of Ethics (or the Model 231 for Saipem SpA); these documents are included in all standard contracts issued by Saipem. Termination of the contract is foreseen for any behaviour in breach of these documents.

CLOSURE

Vendor performance monitoring and control is carried out by means of a constant Vendor Feedback process, involving all stages of the relationship with the vendor and covering several aspects, both technical and behavioural, including respect for human and labour rights, employee management and protection in terms of health and safety.

PROMOTING DECENT WORK ALONG THE SUPPLY CHAIN

For different functions involved in the supply chain control system, such as Vendor Management, Post Order, and Health, Safety & Environment, Saipem arranged a training programme on 'Human Rights and the supply chain' which reiterates its commitment to respecting human rights and to promoting their observance by its suppliers and subcontractors. The training is targeted at Saipem employees who manage relationships with suppliers and subcontractors. The central part of the programme concerns relevant Saipem topics which are 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. The training highlights the role each employee can play in order to report or provide feedback on serious situations where human rights are not guaranteed and respected. The training programme will be continued over the following years to reach all functions that interact with suppliers and are involved in supplier control activities.

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

Participants **+260**

Training sessions **20**

Training man-hours **+400**

Countries involved **8**

In addition, a comprehensive induction was delivered to subcontractor and qualified manpower agency representatives, specifically addressed to HR personnel managing subcontractor resources and covered aspects related to international norms protecting human rights, as well as possible violations and resulting risks related to Saipem referent industry. Its training modules cover a wide range of themes including fighting corruption, social responsibility, integrity, ethical supply chain, health and safety, etc. Moreover, the induction offered a comprehensive review of Saipem's policies and regulations with which subcontractors are expected to comply in their business operations with the Company. This training initiative was delivered through an e-learning platform to facilitate access by the large number of targeted recipients.

**Subcontractor and
employment agency
representatives from 46 countries
reached by human and labour rights
training** **+500**

REPORTING VIOLATIONS

All Saipem employees and stakeholders must report any violations (or alleged violations) of the OM&C Model. Saipem has a Corporate standard that establishes the reporting process.

The Whistleblowing procedure can be used by our employees and other Saipem stakeholders, including vendors, to issue a report.

The term 'report' refers to any information regarding possible violations, behaviour

and practices that do not conform to the provisions in the Code of Ethics and/or which may cause damage or injury to Saipem SpA (even if only to its image) or any of its subsidiaries, by Saipem SpA employees, directors, officers, audit companies and its subsidiaries and third parties in a business relationship with these companies.

Saipem has prepared various channels of communication, widely disclosed, in order to facilitate sending reports, including, but not necessarily limited to, regular post, fax, yellow box, email, and communication tools on the intranet/internet sites of Saipem SpA and its subsidiaries. Any report is properly assessed by our Internal Audit Department to guarantee independent evaluation and action. Evidence of reports received and analysed is published every year in the Sustainability Statements.

LOOKING AHEAD

Saipem is continuously committed to protecting and promoting human and labour rights in its business operations. As part of the overall programme on human rights, all the ongoing training programmes will continue to be offered to cover the entire reference population, in particular:

- the training on human and labour rights for the management of human resources is planned to be extended to the remaining HR personnel and General and Branch managers in different countries;
- the 'Human Rights and the Supply Chain' training programme will be continued over the following years to reach all functions that interact with suppliers and are involved in supplier control activities.

FOCUS ON SECURITY PRACTICES

In the management of security activities, Saipem gives utmost importance to respecting human rights. Saipem is committed to adopting preventive measures aimed at minimising the need for response by public/private security forces in the case of any threats to the safety of its people and the integrity of its assets. The Company manages relations with local security forces in order to ensure a shared commitment to human rights, as well as the adoption of rules of engagement that limit the use of force.

Before signing a contract, vendors of security goods and services are subjected to a due diligence to verify that there are no counter-indications connected with the violation of human rights. Saipem has introduced clauses regarding the respect for human rights in its contracts with these vendors since 2010, and failure to observe them leads to the withdrawal of the Company from the contract. As of today, the contractual clauses on human rights have been included in the 'General terms and conditions' of contracts.

The training programme on human and labour rights for Subcontractor Human Resources Managers will be further

continued in 2018, to reach additional subcontractors and employment agency representatives.

ISSUES	COMMITMENTS	2017 RESULTS	2018 OBJECTIVES
<p>Human and labour rights</p> 	<p>Comply with international best practices on human and labour rights and monitor actual compliance.</p>	<ul style="list-style-type: none"> • Subcontractor and employment agency representatives reached by HLR training. • Training programme on HLRs delivered to more than 30 Saipem HR managers and coordinators. • 88% of vendors audited on HLR in high risk countries*. 	<ul style="list-style-type: none"> • Extend human and labour rights training to HR personnel, general and branch managers. • Implement the worker grievance procedure to Saipem Operating Companies.
<p>Ethical supply chain</p> 	<p>Promote a sustainable supply chain.</p>	<ul style="list-style-type: none"> • Continuation of supply chain social responsibility campaign. • Delivery of the internal human rights and supply chain programme involving more than 100 employees. 	<p>Strengthen the supplier control system during the execution phase through training to functions that have direct contact with suppliers at their operational sites.</p>

(*) 2017 objective was to audit 80% of vendors on HLR in high risk countries out of the total vendors audited in those countries.

This statement was approved by the Board of Directors of Saipem SpA on June 28, 2018



Stefano Cao
Chief Executive Officer

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Società per Azioni

Share capital: €2,191,384,693 fully paid up

Tax identification and Milan Companies' Register

No. 00825790157



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SAIPEM. ENGINEERING ENERGY