

**Verification Report**  
**Human rights and labour standards**  
Supplier verification

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**2018-19: CESTARO ROSSI & C. S.p.A.**

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**Classification:** Restricted

**Status:** Final

**Date:** 01 - 02/02/2018

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**Audit team:**

Andrea Di  
Michelangelo                      Lead Auditor  
Antonio Chiloiro                   Auditor

**Risk owner – EVP/SVP:**

Name                                  Organizational unit

**Manager verified supplier:**

Antonio Cennicola                  Commercial Manager

## 1 Executive summary

**Verification objective:** The objective of the verification was to consider whether the CESTARO ROSSI & C. S.p.A. fulfils the requirements in the Supplier Declaration and to consider whether labour conditions are compliant with the relevant minimum standard terms and conditions and the standards set in relevant Labour Conventions.

**Scope:** Relevant elements from Supplier Declaration (SD):

- Compliance with Laws
- Minimum Age of Labour
- Forced Labour
- Freedom of Association & Right to collective Bargaining
- Non-discrimination
- Terms of Employment
- Working Hours
- Wages
- Security Resources
- Standards towards own Suppliers

**Supplier Name:** CESTARO ROSSI & C. S.p.A.      **Supplier Contact:** Mr. Antonio Cennicola

Site 1 (office): Via De Bellis n. 37  
– 70132 BARI (BA.)

**Supplier Address:** Site 2 (production): Viale Zippitelli      **Supplier Email:** [a.cennicola@cestarossi.com](mailto:a.cennicola@cestarossi.com)

Francesco n. 8/A – Zona Industriale – 70132 BARI (BA).

Site 1 (office department) is located in Bari, Via De Bellis n. 37, in the south of Italy. The site consists of 1 apartment of 350 square meters at 2nd floor of one buiding on 5 floors. No canteen neither dormitory.

Site 2 (production) is located in Bari, Viale Zippitelli Francesco n. 8/A – Zona Industriale, in the south of Italy. This industrial site consists of a shed on the ground floor that develops for a useful area of about 1847.00 square meters and a porticoed area (shed) adjacent to the shed for a surface of approximately 538.00 square meters; an office building consisting of two floors: a ground floor consisting of an entrance / waiting room, two offices, a toilet, an archive and a large open space for a useful area of about 200.00 square meters; a first floor consisting of two offices, a meeting room, a toilet and a utility room for a useful area of about 110.00 square meters; access to the first floor of the office building is ensured by an external circular staircase, metal, which lands on an uncovered terrace on which the various rooms of the surface of about 90.00 square meters face; a service block, on the ground floor, with a refectory, dressing room, archive, medicine and toilet that develops for a surface of about 161.00 square meters.

In addition, the property has an uncovered area of relevance with a fully paved maneuvering square for a

**Facility:**

**Verification Dates:** 01 - 02 February 2018

surface area of approx. 4694.00, and  
an area used as green for a total area  
of sqm. 3579.00  
No canteen neither dormitory.

**Contract no./Enquiry no:**

**Remarks (type of assessment):** Initial announced audit

**Overall conclusion**

**Positive aspects:** Working environment does not appear to present any social problem. The Management was co-operative, and the documentation required was available for review. Moreover, the site tour was performed without restriction as same the interview conduct in a private office without Management presence. 30 records to show wages and hours were taken for 3 months from the period December 2017 (20 records) – September 2017 (5 records) – May 2017 (5 records). 30 workers were interviewed in a private office (24 male and 6 female). All interviewed employees declared to be satisfied to work with the company and to be treated fairly and with respect. All employees have an individual labour contract in place. The hiring contract displays all hiring terms: working rights, hours and rules, compensation, length of the contract, overtime compensations. The management is aware about social issues. Workers were happy for the continuous improvement of H&S protection. All employees receive wages equal to or higher than the minimum wage contemplated by the National Contract Industry. The company is certified UNI EN ISO 9001:2008, UNI EN ISO 14001:2004, OHSAS 18001: 2007, EN ISO 3834-2:2006 (Welding), EN-1090-1 STEEL STRUCTURE and MASE. Moreover, the company has a Code of Conduct dated 9<sup>th</sup> of November 2017 ("Codice di Condotta" ex D.Lgs. 231/2001) and an Ethic Code dated 16<sup>th</sup> of June 2014.

**Concerns:**

- The Ethic Code is not translated in local language and not communicated to workers neither posted on employee's notice board (in site 1, in site 2 and in each yard).
- the training on human rights and labour standards are not yet performed but already planned.
- No systematic review of elements related to human rights in the MS to ensure effectiveness, suitability and fitness-for-purpose is sustained and improvement plans are developed at each level of the organisation.
- No procurement procedures for selection of suppliers/sub-suppliers on the basis of respect for human rights and compliance with labour standards.
- No procurement procedures for evaluation of suppliers/sub-suppliers on the basis of respect for human rights and compliance with labour standards.
- No system for assessment of human rights and labour standards as part of follow up activities (audits, verifications or regular meetings), hence no mechanisms in place to uncover concerns.
- No training on human rights and labour standards for suppliers.

**Learning:**

- company management takes compliance verification very seriously
- company values its workforce and makes every efforts to ensure they are motivated

**Table of contents**

<b>1</b>	<b>Executive summary .....</b>	<b>2</b>
<b>2</b>	<b>Introduction .....</b>	<b>5</b>
2.1	Methodology .....	5
<b>3</b>	<b>Verification summary .....</b>	<b>7</b>
3.1	Execution of verification .....	7
3.1.1	Verification of Supplier declaration elements on human rights and labour standards .....	7
<b>4</b>	<b>Audit findings and valuation.....</b>	<b>9</b>
4.1	Management system.....	9
4.1.1	Findings .....	9
4.2	Minimum age of labour .....	9
4.2.1	Findings .....	10
4.3	Modern slavery .....	10
4.3.1	Findings .....	10
4.4	Non-discrimination .....	10
4.4.1	Findings .....	11
4.5	Freedom of association.....	11
4.5.1	Findings .....	11
4.6	Employment terms .....	12
4.6.1	Findings .....	12
4.7	Working hours.....	12
4.7.1	Findings .....	13
4.8	Wages.....	13
4.8.1	Findings .....	14
4.9	Security arrangements.....	14
4.9.1	Findings .....	14
4.10	Community.....	14
4.10.1	Findings .....	14
4.11	Standards towards own suppliers .....	15
4.11.1	Findings .....	15
<b>5</b>	<b>Way Forward .....</b>	<b>15</b>
<b>6</b>	<b>Attachments .....</b>	<b>16</b>
6.1	Categorization of findings .....	16
6.2	Verification participants.....	17

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## 2 Introduction

Intertek on behalf of Statoil has conducted a verification of compliance of CESTARO ROSSI & C. S.p.A. (hereinafter the Supplier) towards relevant human rights and labour standards elements of Statoil's Supplier Declaration.

Statoil perform assurance activities to manage risk, and drive performance and learning. It ensures quality and effectiveness in how business is run, as well as the quality of the products and services provided. It assures compliance with the legal framework and contractual terms and provides a basis for improvement.

The scope and frequency of assurance depends on an assessment of risk. Verification is the confirmation, through the provision of objective evidence, that the requirements for a specific intended use or application have been fulfilled.

### 2.1 Methodology

Control of compliance was performed through:

- analysis and clarifications of available documentation and selected samples,
- interviews with relevant Supplier personnel (See participant list Attachment 5.2), and
- analysis of current management system process and requirements

To carry out the verification, the verification team randomly selected individuals from a list of workers and asked for the following documents to be provided for these individuals, including for workers from subcontractors:

- Contract of employment
- Copies of payroll/payslips for last period
- Timesheets (working hours) corresponding with payroll/payslips
- Insurance

The sample was made to reflect worker type, gender, departments/work areas/designation within site, country of origin, migrant status and age. The selection covered also permanent/temporary/agency (hired) workers. 18 persons were selected from the production department and 12 from the offices department, including 6 female, 24 male and 3 temporary workers hired through a labor agency. During the verification were present only 18 employees from production department because the other production workers were occupied in external yards. In fact, the activities are carried out in various sites dislocated in Italy. In particular: Bari, Brindisi, Milazzo, Taranto, Livorno, Roma, Piombino, Rosignano, Trecate. Moreover the company carries out turnaround in the following Plants: Busalla Refinery Iplom, Milazzo Refinery ENI, Trecate Refinery Sarpom, Marghera Refinery ENI, Mantova Refinery IES MOL Group, Falconara Refinery API, Sannazaro Refinery ENI, Priolo Refinery ERG, Marseille: Naphtachimie Plant, Marseille: Oxochimie Plant, Paris Total Grandpuits Refinery, Collombey Refinery Tamoil, Switzerland, Kalundborg Refinery Statoil - Denmark.

The following positions were included in the sample: 3<sup>rd</sup> level, 4<sup>th</sup> level, 5<sup>th</sup> level, 6<sup>th</sup> level and 7<sup>th</sup> level (skilled workers from 3<sup>rd</sup> level to 5<sup>th</sup> level and administrative employees from 4<sup>th</sup> level to 7<sup>th</sup> level).

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The verification team also requested relevant information regarding commitment, policies, strategic objectives, organisation, responsibility, risk management, procedures, implementation, follow up, audit and review.

### 3 Verification summary

#### 3.1 Execution of verification

In overall, the verification was kept in a constructive and positive tone. The verification team received the requested documentation within the timeframe, and the documentation was orderly and structured.

The documentation received concerning the topics covered by the Supplier declaration was comprehensive and detailed. The verification team received answers to the questions that were prepared based on the documentation received and interviews performed.

#### 3.1.1 Verification of Supplier Declaration elements on human rights and labour standards

The verification revealed several non-conformities with the management system expectations and contract requirements, see below and in chapter 6.

	Area	Classification			Other observations
		Critical	Serious	Minor/negligible	
4.1	Management system	2	1		-The Ethic Code is not translated in local language and not communicated to workers neither posted on employee's notice board (in site 1, in site 2 and in each yard -The training on human rights and labour standards are not yet performed but already planned. - No systematic review of elements related to human rights in the MS to ensure effectiveness, suitability and fitness-for-purpose is sustained and improvement plans are developed at each level of the organisation.
4.2	Minimum age of labour				
4.3	Modern slavery				
4.4	Non-discrimination				
4.5	Freedom of				

	association				
4.6	Employment terms				
4.7	Working hours				
4.8	Wages				
4.9	Security arrangements				
4.10	Community				
4.11	Standards towards own suppliers	4			<p>-No procurement procedures for selection of suppliers/sub-suppliers on the basis of respect for human rights and compliance with labour standards.</p> <p>-No procurement procedures for evaluation of suppliers/sub-suppliers on the basis of respect for human rights and compliance with labour standards.</p> <p>-No system for assessment of human rights and labour standards as part of follow up activities (audits, verifications or regular meetings), hence no mechanisms in place to uncover concerns.</p> <p>-No training on human rights and labour standards for suppliers.</p>

See chapter 5 for definition of classification



## 4 Audit findings and valuation

### 4.1 Management system

One objective of the verification was to consider whether the Supplier has the necessary experience and capability to work in a responsible manner, and to effectively deal with the associated risks with regards to the relevant elements of Statoil Supplier Declaration.

Findings made on items related to HSE Management system expectations<sup>1</sup> in IOGP's Report No. 510, June 2014 "Operating Management System Framework", are listed below. In the OGP guideline, social responsibility is recognised as integral element of OMS. For the verification purpose, the Supplier response to the self-assessment questionnaire has also been considered.

The verification team requested relevant information regarding commitment, policies, strategic objectives, organisation, responsibility, risk management, procedures, implementation, follow up, audit and review.

#### 4.1.1 Findings

Item no.:	Classification	Description of finding	Reference
1	Yellow	The Ethic Code is not translated in local language and not communicated to workers neither posted on employee's notice board (in site 1, in site 2 and in each yard as confirmed by employee's interviews).	IOGP 510 E1.6 and E2.1
2	Red	The training on human rights and labour standards are not yet performed but already planned.	IOGP 510 E7.3
3	Red	No systematic review of elements related to human rights in the MS to ensure effectiveness, suitability and fitness-for-purpose is sustained and improvement plans are developed at each level of the organisation.	IOGP 510 E3.2, E10.2 and E10.5 IOGP 511 P2

Supporting evidence (document review and interviews): copy of Ethic Code and employee's interviews.  
Other observation(s): the company will perform the training on Ethic Code for all workers in all external yards.

### 4.2 Minimum age of labour

The minimum age of employment by national law for the country where the facility is located is 18 (16 with protected status).

The youngest worker employed is 21 years old.

<sup>1</sup> The IOGP definition of HSE includes Social Responsibility (incl Human Rights)

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Supplier provision of health examinations for juvenile workers prior to employment and/ or on a regular basis after employed is required by law.

Each person, before being hired, has to demonstrate his age by identity cards or other official document. The data are sent to Local Labour Office in order to be checked before the worker is hired. Through documents review and workers interview, it was stated that no person under 21 years old has been employed at the factory.

#### **4.2.1 Findings**

No findings

Supporting evidence (document review and interviews): labor contracts, identity cards, site tour and employee's interviews.

Other observation(s): none observed.

#### **4.3 Modern slavery**

Local law prohibits the use of slavery, forced labour and human trafficking. The supplier does not provide loans and salary advances to employees. Forced, bonded or involuntary prison labor forbidden by law.

Through the employees interviews and document review it was noted that employees are working voluntarily, all labor contracts are signed by both parties and maintained on their files. Workers can leave the factory after a prior notice as stated by the National Labor Contract, on role and seniority bases (from a minimum of 15 days). There is no evidence of deposits. Just copies of ID are kept on file by the factory. All the work force is hired on the base of the CCNL (National Collective Labor Contract). The National Workers' Statute Law 300/1970 is respected.

#### **4.3.1 Findings**

No findings.

Supporting evidence (document review and interviews): employee's interviews.

Other observation(s): none observed.

#### **4.4 Non-discrimination**

The laws in the country where the supplier will be performing the Statoil contracted activities are protecting against all forms of discrimination.

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No discrimination practice noticed on workers interview and documents review. There was no discrimination in hiring, compensation, access to training, promotion, termination or retirement based on race, caste, national origin, religion, age, disability, gender, marital status, sexual orientation, union membership or political affiliation. The entire employees are treated in the same way.

#### **4.4.1 Findings**

No findings.

Supporting evidence (document review and interviews): labor contracts, pay slips and employee's interviews.  
Other observation(s): none observed.

#### **4.5 Freedom of association**

In this country, workers are legally allowed to choose to form, belong to or not belong to a union or any other type of workers' organisation.

The following worker union(s) exist: FIM CISL – UILM – FIOM - FISMIC

The supplier has not experienced any worker's unrest/ demonstration/ strikes at the facility.

Through the employees' interview and documents review, it was noted that workers are free to join unions. Interviewed employees declared to feel free to join a Union if they wish and to be aware of their rights of association. There are 4 union representatives and 160 union members in the factory.

All the work force is hired on the base of the CCNL per Industria Metalmeccanica (National Collective Labour Contract for Engineering Industry).

#### **4.5.1 Findings**

No findings.

Supporting evidence (document review and interviews): employee's interviews.  
Other observation(s): none observed.

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## 4.6 Employment terms

Based on the worker list the verification team randomly selected workers relevant for review. For the selected workers signed employment contracts, pay slips and timesheet were requested.

All of the documentation requested for workers was made available for the team,

Employment contracts are available in the following languages: Italian.

The verification team has concluded that all workers in the sample have been provided with employment contract in a language they can understand, ensuring understanding of contract conditions.

Employment contracts were available in the following languages: Italian (all employees are Italian). It was confirmed during interviews that the terms and conditions are explained in a language the worker understands upon signing, to mitigate for lack of understanding of terms and conditions due to language issues.

The whole work force is hired on the base of the CCNL (National Collective Labor Contract for Engineering Industry). During documents review and workers interview, it was notice that factory provided regular employment. Personal files in factory. No age and contract violations noticed during documents review. All the terms and condition is according to the local laws. All employees are employed in the same way after the submission of applications. Everyone receives the same training instructions plus, employees who have never worked in this kind of production have workstation training. No issues were reported.

### 4.6.1 Findings

No findings.

Supporting evidence (document review and interviews): labor contracts, CCNL copy, pay slips and employee's interviews.

Other observation(s): none observed.

## 4.7 Working hours

The limits on hours of work or rest according to National Law and CCNL of Engineering Industry Sector shall be as follows:

- maximum hours of work shall not exceed:
  - 48 hours/week (including OT) – 10 hours/day (including OT)
- (b) minimum hours of rest shall not be less than:
  - 11 hours per days

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Established weekly hours of work (40 hours) are in accordance with national Law and the requirements in CCNL – Collective National Labor Contract for Engineering Industry).

The highest registered average weekly working time for a full work period including overtime is 48,00 hours/weekly.

Working hour limits are regulated by the CCNL (National Collective Bargaining Contract) and Law. Interviewed workers and management affirm OT hours are worked and always respecting law limits and on voluntary base. This is confirmed by document review and employees interviews. Working hours are recorded by badge system.

#### **4.7.1 Findings**

No findings.

Supporting evidence (document review and interviews): working hours records, labor contracts, pay slips and employee's interviews.

Other observation(s): none observed.

#### **4.8 Wages**

Minimum Wage or Collective Bargaining Agreement (CBA) is applicable in the area this facility is located.

The national minimum wage/ agreed wage in CBA in national currency is: from 1.299,11 €/month for 1<sup>st</sup> level to 2.335,50 €/month for 8Q level

The local country currency symbol is: € - Euro

Workers are paid in the following currency: € - Euro

All the work force is hired on the base of the CCNL containing all the necessary information about the employment conditions, minima wages, working hours and OT regulation and disciplinary procedure. Employees are regularly monthly paid by direct bank transfer (on 12<sup>th</sup> of each month). Payrolls review against minima tub established by the National Collective Labour Contract. The payrolls are checked against working hours. Employees have the possibility to check the hours recorded by badge system and to ask for clarification if needed.

30 payrolls and pay slips were reviewed from December 2017 (most recent), 5 from September 2017 (random month) and 5 from May 2017 (random month). There are no peak periods.

#### **4.8.1 Findings**

No findings.

Supporting evidence (document review and interviews): working hours records, labor contracts, pay slips, bank transfer list/records and employee's interviews.

Other observation(s): none observed.

#### **4.9 Security arrangements**

The Supplier will not need to use security resources (private or public) in relation to the Statoil's agreement activities. The security forces will/will not be armed.

Armed guards will be used for: NA.

The security staff will be own staff/subcontracted staff. Subcontracted staff will come from the following company: NA

#### **4.9.1 Findings**

No findings.

Supporting evidence (document review and interviews): management and employee's interviews.

Other observation(s): none observed.

#### **4.10 Community**

The supplier has identified and assessed potential adverse impacts on communities. There are no adverse impacts from the Supplier activities on the local communities' livelihoods, cultural, religious and spiritual values for example through the suppliers use of water, energy and land, emissions/ discharges etc.

The supplier does not handle land use application/ acquisition in relation to delivery of the procured services or Statoil activities. This will not involve resettlement of people. There is not any likelihood of land acquisition or resettlement in the sub-suppliers activities. Community grievances related to contract activities have not been received. These have been handled as follows: NA

#### 4.10.1 Findings

No findings.

Supporting evidence (document review and interviews): management and employee's interviews.  
Other observation(s): none observed.

#### 4.11 Standards towards own suppliers

The supplier hire workers (all workers are Italian) via intermediaries - employment agencies, and/or sub-contractors.

##### 4.11.1 Findings

Item no.:	Classification	Description of finding	Reference
29	Red	No procurement procedures for selection of suppliers/sub-suppliers on the basis of respect for human rights and compliance with labour standards.	IOGP 510 E3.6
30	Red	No procurement procedures for evaluation of suppliers/sub-suppliers on the basis of respect for human rights and compliance with labour standards.	IOGP E3.6
31	Red	No system for assessment of human rights and labour standards as part of follow up activities (audits, verifications or regular meetings), hence no mechanisms in place to uncover concerns.	IOGP 510 E3.6
32	Red	No training on human rights and labour standards for suppliers.	IOGP 510 E3.7

Supporting evidence (document review and interviews): Management interview and management system document review  
Other observation(s): none observed

## 5 Way Forward

Based on findings in this report Statoil requires that "red" and "yellow" findings identified in chapter 3 are closed. "Green" findings may be interpreted as improvement areas, and does not require further follow up by Statoil.

An improvement plan, including closing dates, must be sent to the Statoil's single point of contact for approval within 30 days from receipt of this report. All corrective actions considered closed must be documented and relevant documentation must be submitted for approval within the agreed deadlines.

## 6 Attachments

### 6.1 Categorization of findings

A finding is the result of the evaluation of a monitoring object which indicates either compliance or non-conformance with specified criteria. The criticality of a finding is related to the potential effect of the monitored object. The findings are classified into the following categories:

Classification of assurance findings and overall conclusion	Verification of Compliance	Risk after evaluation of control and compliance
<b>RED – Unacceptable/ Critical condition</b>	Severe non-conformance with regulatory or contractual requirements or non-conformance with internal governing documents.	High negative individual, business and/or societal impact
<b>YELLOW – Poor/Improvement needed</b>	Non-conformance with regulatory or contractual requirements or non-conformance with internal governing documents.	Medium negative individual, business and/or societal impact
<b>GREEN – Acceptable/ Minor/negligible non-conformance</b>	In accordance with regulatory and contractual requirements or minor negligible non-conformance with internal governing documents.	Minor/negligible negative individual, business and/or societal impact



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Valid from 01.05.2017

Rev. no.1

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## 6.2 Verification participants (excluding auditors)

<b>NAME</b>	<b>POSITION/RESPONSIBILITY</b>
Cennicola Antonio	Commercial manager
Domenico Fiore	H&S Manager
Giuseppe Sassi	HR Manager