

## Obayashi Corporation Statement on Modern Slavery and Human Trafficking (FY 2020.3)

Obayashi Corporation (hereafter, “Obayashi”) is releasing the following statement about initiatives to prevent slavery and human trafficking at Obayashi and in our supply chain in FY 2020.3 (April 1, 2019 to March 31, 2020), based on Chapter 6, Section 54 of the UK Government’s Modern Slavery Act 2015 and Modern Slavery Act 2018 of Australia.

“Slavery” and “human trafficking” are defined in the Act, however, because the definitions may differ depending on local circumstances, we are disclosing our initiatives in preventing all forms of modern slavery and compliance with related laws and regulations and international norms in this statement.

### 1. Business and Structure

Obayashi is a general construction contractor that was founded in 1892 and has its head office in Tokyo. We have 88 subsidiaries, 28 affiliated companies, and 14,993 employees at the consolidated level (as of March 31, 2020). We operate a construction business, real estate development business, and businesses in new areas such as renewable energy, PPP, etc. in 16 countries worldwide, mainly in Japan, North America, and Asia.

Obayashi has a Europe Office in London, in the UK, which operates a real estate development business. We have an Australia Office in Sydney, Australia, which operates a construction business. The Company’s total consolidated net sales were 2.1 trillion yen as of March 31, 2020. The UK and Australia account for 0.07% and 0.50% of total consolidated net sales, respectively.

See the following website link for a profile of Obayashi and its businesses.  
<https://www.obayashi.co.jp/en/company/>

### 2. Overview of the Supply Chain

Obayashi recognizes all business partners involved in the supply chains for the Company’s business as suppliers, and regards them as one of our important stakeholders. Suppliers for the construction business, our main business, are divided into two main categories: labor subcontractors and suppliers of materials and equipment. We have an organization in Japan called the Obayashi Rin-yu-kai, which consists of approximately 1,100 main suppliers.

### 3. Corporate Policies

#### 3-1. Obayashi Basic Principles

The “Obayashi Basic Principles,” which consist of the Obayashi Philosophy, Obayashi

Code of Conduct, and Obayashi Three Pledges, specify contributing to the realization of a sustainable society, and these principles are shared and implemented by all officers and employees. We believe that practicing our basic principles is the very essence of conducting our corporate activities. Based on this belief, we have clearly specified our social mission and responsibilities and are implementing many sustainability related initiatives aimed at fulfilling CSR (corporate social responsibility) so that we will continue to be a company that is trusted by all of our stakeholders.

See the following website link for further information on the Obayashi Basic Principles.  
<https://www.obayashi.co.jp/en/company/philosophy.html>

### **3-2. Obayashi Statement on Human Rights**

We have set forth the “Obayashi Statement on Human Rights” in accordance with the Universal Declaration of Human Rights. We support the ILO International Labor Standards and other international rules, and have specified the policy of respecting the human rights of all officers and employees and all people associated with our business.

See the following website link for further information on the Obayashi Statement on Human Rights.  
<https://www.obayashi.co.jp/en/sustainability/employee.html#section1>

### **3-3. Obayashi Health and Safety Principles and Policies**

We have set forth the “Obayashi Health and Safety Principles and Policies” based on our belief that ensuring the safety and health of all workers at construction sites, which is our main business is the utmost importance.

See the following website link for further information on the Obayashi Health and Safety Policies.  
<https://www.obayashi.co.jp/en/sustainability/safeenv.html#section1>

### **3-4. Obayashi Group CSR Procurement Policy**

We established the Obayashi Group CSR Procurement Policy to specify the actions aimed at realizing a sustainable society described in the Obayashi Basic Principles. It includes compliance with laws and regulations, respect for human rights, assurance of safety and health, assurance of ensuring quality, and consideration for the environment. The Basic Policy on CSR Procurement Initiatives prescribes items that Obayashi Group officers and employees need to comply with in promoting CSR procurement, and the CSR Procurement Guidelines prescribe items that the Obayashi Group expects of its suppliers to implement and to make sure that everyone in the suppliers’ own supply chains understand, in line with the Obayashi Group CSR Procurement Policy.

See the following website link for further information on the Obayashi Group CSR Procurement Policy:  
[https://www.obayashi.co.jp/en/sustainability/suppliers/csr\\_procurement.html](https://www.obayashi.co.jp/en/sustainability/suppliers/csr_procurement.html)

### **3-5. Participation in the United Nations Global Compact**

Obayashi has been a signatory to the United Nations Global Compact since 2013. As a

member of the Compact, we respect human rights and support the complete prohibition of forced labor and child labor in all forms, based on the principles of the Global Compact.

#### **4. Obayashi's Initiatives**

##### **4-1. Due Diligence on Slavery and Human Trafficking in the Business and Supply Chain**

Obayashi took the following procedure for conducting human rights due diligence in FY2020.3.

- 1) Divide the business and supply chain into the Company's main businesses of the construction business, the real estate development business, and businesses in new areas, mainly the renewable energy business, and identified the risks of each stakeholder.
- 2) Consulted the reports by the governments and NGOs of each country and obtained the advice of an expert, then evaluated the risks identified.
- 3) Specified the human rights issues to be prioritized and addressed.

The main human rights issues of stakeholders are as follows:

- (1) Child labor
- (2) Forced labor and human trafficking
- (3) Reasonable consideration of people who are subject to discrimination or are in a vulnerable position
- (4) Harassment
- (5) Poor work and living environments
- (6) Establishment of appropriate labor conditions
- (7) Ensuring building and structure safety
- (8) Infringement of the lives and health of local residents
- (9) Infringement of privacy rights

In order to ensure the effectiveness of human rights due diligence, we have established a working group for human rights due diligence and supply chain management that includes cross-departmental personnel, including those in charge of procurement. We will consider measures and proceed with concrete initiatives to prevent and mitigate adverse impact on salient human rights issues identified in consultation with each business unit and department in charge.

##### **4-2. Occupational Safety Initiatives**

Obayashi Central Health and Safety Committee chaired by the president was established for appropriate work environments. The committee meets at least twice a year to discuss and consider basic matters concerning health and safety, such as preventing occupational

accidents, preventing impairment of health, and maintaining and improving health.

We operate Obayashi's Occupational Health and Safety Management System, which has systematized methods of safety management in order to ensure implementation of the following Health and Safety Principles and Policies in all our construction sites in Japan.

#### **Health and Safety Principles**

Ensure the health and safety of all workers at construction sites and create comfortable workplace environments.

#### **Health and Safety Policies**

- (1) Comply with the Industrial Safety and Health Act, other relevant laws, and Obayashi Corporation's internal rules.
- (2) Appropriately implement and use Obayashi's Occupational Health and Safety Management System.
- (3) Help improve independent health and safety management efforts of suppliers.

Obayashi's Occupational Health and Safety Management System helps each organization clearly delineate its own Health and Safety Policy. The system manages the operational structure, plan formulation, and procedures for the entire cycle, from implementation to achievement, revision, and maintenance. The Company specifies policies and goals and operates the PDCA cycle, monitoring regularly, with the goal of achieving continuous improvement.

Safety patrols at construction sites include daily patrols by our employees and subcontractors working at the site, as well as for construction sites with a large number of workers and large construction sites under the instructions of the health and safety officers of head office and branches, which is held at each site at least once a month. We have set KPI as the degree of achievement of the evaluation items specified in the Occupational Health and Safety Management System and aim to achieve 90% by FY2022.3. The result for FY2020.3 was 83.3%.

We will continue safety and health training for our employees and support the education of suppliers in order to prevent occupational accidents, raise awareness of safety and health, and deepen understanding of safety-related laws and regulations.

See the following website link for further information on Obayashi's Occupational Health and Safety Management System:  
<https://www.obayashi.co.jp/en/sustainability/safeenv.html#section2>

#### **4-3. Supply Chain Management**

The Obayashi Code of Conduct emphasizes building stronger mutual trust with suppliers. We recognize that initiatives encompassing the entire supply chain are essential to

achieve and have therefore formulated the “Obayashi Group CSR Procurement Policy” and established the “Obayashi Group CSR Procurement Guidelines” for the entire supply chain. These are disclosed on our website. To ensure that suppliers comply with the Obayashi Group CSR Procurement Guidelines, we have incorporated the main actions of compliance with laws and regulations, respect for human rights, assurance of safety and health, assurance of quality, and consideration for environment into contract provision and confirm compliance when concluding contracts with them.

In FY2020.3, we revised the guideline and newly added the following issues; “our suppliers will not engage in or permit misconduct such as the use of forced labor or child labor,” “our suppliers will ensure equal employment opportunity, practice appropriate labor management, pay appropriate wages, and maintain and improve working environments so they are healthy and easy to work in,” “our suppliers will guarantee freedom of association and collective bargaining rights for employees,” “our suppliers will strive to understand and cooperate with the human rights due diligence performed by Obayashi Group companies.”

We have established the Obayashi Rin-yu-kai organization consisting of approximately 1,100 of our main suppliers and regularly monitors the soundness of the member companies. During FY2020.3, the Company sent the members of the Obayashi Rin-yu-kai the Guidelines to make sure that all suppliers understand CSR procurement in the Obayashi Group and surveyed the extent to which this understanding has permeated the suppliers. The response rate was 73%, and we will continue do more trainings for our employees and suppliers for better understandings.

See the following website link for further information on the Obayashi Group CSR Procurement Guidelines:  
[https://www.obayashi.co.jp/en/sustainability/suppliers/csr\\_procurement.html#section2](https://www.obayashi.co.jp/en/sustainability/suppliers/csr_procurement.html#section2)

See the following website link for further information on the Obayashi ESG materialities and KPIs:  
[https://www.obayashi.co.jp/en/sustainability/upload/img/esg\\_02-01.svg](https://www.obayashi.co.jp/en/sustainability/upload/img/esg_02-01.svg)

In the construction work the Company accepts contracts for, we confirm the required facts in advance for all people who will be involved in construction work. The people at high risk of being violated their human rights such as children, women, people of advanced age, and migrant workers including foreign technical trainees, are specified, this information is shared among Company employees, and measures to prevent infringement of human rights are implemented. All workers at construction sites must also undergo mandatory advance training on the laws and regulations of the country, laws and regulations pertaining to safety, and international standards. Some of the documents related to occupational safety have been translated into the native languages of the migrant workers.

We also confirm that the quality of materials and equipment procured from suppliers complies with the laws and regulations and meets international and other standards.

#### **4-4. Establishment of a Reporting Hotline**

Obayashi established a Corporate Ethics Reporting System. Any officer, employee, or supplier of the Obayashi Group can report illegal or suspicious acts through this system and can raise various issues concerning human rights. All officers, employees, and suppliers are made aware of the system. An external hotline to a law firm has been established in addition to the internal hotline, and routine reporting is possible by telephone, email, postal mail, or through other options. When a report is received, protection for the person reporting and make sure that he or she is not subjected to disadvantageous treatment, and an investigation is initiated immediately.

Moreover, internal and external consultation hotlines specifically for harassment have been established at the head office and at each branch, along with an external consultation hotline specifically for job seekers. These hotlines accept consultation requests from anyone in Japan or overseas, including job seekers and other third parties in addition to officers, employees, and suppliers of the Obayashi Group. People seeking consultation may do so by telephone, email, postal mail or through other options. When consultation is requested, protection for the person seeking consultation and make sure that he or she is not subjected to disadvantageous treatment, and an investigation is begun immediately.

If issues of modern slavery are reported, each reporting hotline are immediately referred to our correspondence rules.

See the following website link for further information on the Obayashi Group Corporate Ethics Reporting System:  
<https://www.obayashi.co.jp/en/sustainability/ethics.html>

#### **4-5. Promoting Awareness of Human Rights**

We concentrate on raising awareness of human rights among our officers and employees. We have established the Human Rights Awareness Promotion Committee, which is chaired by the executive officer in charge of personnel. This committee prevents infringement of human rights, ascertains human rights issues, and resolves such issues. It also promotes initiatives aimed at increasing awareness of human rights.

For harassment, specifically, the Sexual Harassment Prevention Guidelines and the Maternity Harassment Prevention Guidelines were integrated to formulate the Harassment Prevention Guidelines. The Company is working to prevent harassment by communicating the corporate policy on harassment, defining each type of harassment, and providing information on the specific response when a harassment incident occurs

to all officers and employees.

#### **4-6. Compliance Training**

Obayashi has established the Corporate Ethics Committee, which is chaired by the president. This committee works to ensure compliance and maintenance of corporate ethics. As one of these initiatives, the committee has mandated that all officers and employees undergo compliance training every year. This training provides an opportunity to make officers and employees aware of their own actions from a corporate ethics perspective. Additionally, this is intended to enable them to root out illegal conduct and corporate ethics violations in the Company and its supply chain.

As for the corporate ethics training KPI, we have set our goal for employees taking the training by FY2022.3 as 100%, and we have achieved 100% in FY2020.3. We will continue to provide compliance education.

See the following website link for further information on the Obayashi Corporate Ethics program.  
<https://www.obayashi.co.jp/en/sustainability/ethics.html>

See the following website link for further information on the Obayashi ESG materialities and KPIs:  
[https://www.obayashi.co.jp/en/sustainability/upload/img/esg\\_02-01.svg](https://www.obayashi.co.jp/en/sustainability/upload/img/esg_02-01.svg)

#### **4-7. Effectiveness**

Company's individual efforts are discussed, reviewed and evaluated once a year by the CSR Committee chaired by the president.

### **5. Cooperation with domestic, overseas, and Group Companies**

We formulated operating rules on management through alliances between each company and the managing department and business division at headquarters from FY2020.3. Such operating rules not only apply to the Company itself, but also the businesses of Group companies in Japan and overseas. The businesses in the UK and Australia that are covered by this Statement continually share information between the local office and the managing department and business division at headquarters in Japan. They strive to form timely, appropriate alliances with a wide range of individual Group companies through our networks in Japan and overseas, in addition to alliances with the Company, when necessary.

In addition to sharing management policies and goals, the Company also works to strengthen alliances between Group companies by having top management from Group companies in Japan and overseas participate in the regularly scheduled executive officers' meetings along with the executive officers. The Company is also working to strengthen the network between locations through regular business reporting meetings and liaison meetings held by Group companies in each overseas region, mainly in the North American Regional Headquarters and the Asia-Pacific Regional Headquarters.

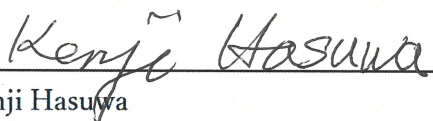


At the executive officers' meetings in FY2020.3, we arranged some opportunities for undergoing harassment prevention training, and the importance of respecting human rights was also explained. Moreover, those responsible for human resources at the main Group companies in Japan have also begun participating in the Company's Human Rights Awareness Promotion Committee to share human rights issues and launch joint initiatives aimed at preventing human rights violations.

In the future, specified human rights issues will be widely shared with Group companies in Japan and overseas and the initiatives aimed at improving awareness of human rights that were previously handled mainly by the Human Rights Awareness Promotion Committee Group companies will be implemented in Group companies according to the nature of the individual business and regional characteristics.

This statement has been approved by Board of Directors of Obayashi Corporation on July 6, 2020.

July 6, 2020



Kenji Hasuwa

Representative Director

President

Obayashi Corporation