

MODERN SLAVERY STATEMENT FY2020

This joint statement is made by MODEC, Inc. and its subsidiary entities (together referred to as 'MODEC'), including MODEC Management Services Pte Ltd having operations in Australia. It is made pursuant to, and in accordance with, the *Modern Slavery Act 2018* (Cth).

ABOUT MODERN SLAVERY

Modern slavery is an umbrella term, describing a range of serious human rights violations including forced labour, debt bondage, human trafficking, servitude and other exploitative practices. By its nature modern slavery affects vulnerable people and is concealed by its perpetrators. Its causes are complex. Modern slavery is a global issue that is prevalent within industries that are labour intensive, low skilled and subject to global under-regulation. It perpetuates inequality and frustrates individual and social progress.

ABOUT MODEC

MODEC is an international company spanning five continents, and for more than 50 years has been providing EPCI and operations services across a range of floating oil and gas production solutions. Owning and operating its own floating production facilities, MODEC is the largest independent operator of FPSOs in the world.

MODEC Structure

MODEC, Inc. is a Japanese public company with a consolidated workforce of more than 5000 employees, listed on the Tokyo Stock Exchange under the symbol 6269. To better understand our organization structure, and its subsidiary entities, please refer to our website (<https://www.modec.com/about/office/>).

MODEC, Inc.'s Board of Directors ('Board') is responsible for the performance of the MODEC group of companies; guiding its operations and strategy. This includes approving MODEC's Values and monitoring its culture and compliance with its Code of Business Conduct and Ethics ('CODE'). The Board is supported by a Group Compliance Committee, and a Management Board led by the CEO, assisted by an Environment, Health and Safety Committee. The Board and MODEC's management are committed to maintaining and reinforcing a culture of strong corporate governance, which promote its business objectives including adherence to its Values and CODE.

MODEC Operations

MODEC's operations focus on the design, construction, installation and sales of floating offshore oil and gas production facilities, including floating production, storage and offloading systems ('FPSO'), floating storage and offloading systems ('FSO') and tension leg platforms ('TLP') to oil company clients. MODEC also leases and charters floating production facilities and provides associated operations services, plus after-sale services encompassing provision of parts and engineering support services. Aside from our headquarters in Japan, MODEC has operations in Australia, New Zealand, Singapore, Vietnam, the US, Brazil, West Africa, plus others.

MODEC Supply Chain

As a large international construction and service company to the offshore oil and gas industry, MODEC's direct supply chain generally comprises:

- construction and fabrication services;
- engineering and technical services;
- marine and specialist topsides process equipment;
- marine logistics and transportation services;
- maintenance spares and services;
- electrical and electronic equipment; and
- labour, consultant and corporate services.

MODERN SLAVERY RISKS IN OUR OPERATIONS AND SUPPLY CHAIN

MODEC's CODE describes our values and provides a framework through which these are to be upheld across our operations. MODEC's CODE endorses our absolute commitment to upholding human rights; our respect of all internationally recognised human rights principles as established in the United Nations Universal Declaration of Human Rights, the International Labour Organisation's Declaration on Fundamental Principles and Rights at Work, and the United Nations Global Compact, to which MODEC is a signatory. Together with MODEC's Human Rights Policy and Corporate Social Responsibility Policy, our CODE prohibits violations of human rights, including opposing all forms of forced labour, child labour, human trafficking and all other forms of modern slavery, within our own company and across our operations and also within our supply chain. All MODEC employees and contractors are subject to mandatory and comprehensive induction training regarding our CODE, reinforced on an annual basis.

For more than 50 years MODEC has safely and sustainably conducted its business as it has grown to become one of the world's leading providers of offshore oil and gas production services. In doing so, MODEC is committed to conducting our business in:

- accordance with the highest standards of ethics, integrity and corporate governance practices underscored by MODEC's values, which include respect for human rights, openness, honesty, and safety in all we do;
- an economically, socially and environmentally sustainable manner that is transparent and ethical;
- compliance with all applicable laws and regulations, including all applicable labour, employment, immigration and whistleblower laws;
- support of diversity and inclusion; and
- the spirit that all human beings are born free and are equal in dignity and rights and believes that MODEC employees should act towards one another in a spirit of fellowship. As part of this commitment, MODEC does not employ underage workers or forced labour (involuntary labour or any kind including prison labour, debt bondage, or forced labour by the government) and will not knowingly partner with a supplier, third party or business partner that illegally or improperly employs underage workers or forced labour.

MODEC routinely undertakes internal audits to assure the effectiveness of, and compliance with, our policies. Further, MODEC encourages its work force to report any potential concerns via our Ethics Hotline whereby members of the MODEC community can anonymously report suspected deviations from our policies including any human rights violations. The system is independently operated and available 24 hours a day, 365 days a year.

MODEC considers its potential to cause or contribute to incidents of modern slavery within our own operations to be low.

However, MODEC's international supply chain is highly complex and, in some instances, includes several levels of suppliers and subcontractors. Consequently, MODEC recognises that its supply chain necessarily extends to sectors and countries vulnerable to modern slavery; including outsourced services such as construction and fabrication, labour hire, cleaning and catering. In 2019, MODEC engaged external specialist expertise to help us assess modern slavery risks in the supply chains of a number of current EPCI contracts. Modern slavery risks within our supply chain are mapped using geographical and supply characteristics including:

- the vulnerability to modern slavery of the relevant supply country;
- whether the manufacture of the relevant product or provision of the services is labour intensive;
- the skill level of the supplier workforce; and
- any relevant knowledge of work force treatment by the supplier.

These factors, amongst others, are used to characterise the risk to people associated with a specific supplier, which is then calibrated against the proximity of the risk to MODEC and our ability to influence supplier behaviour. The risk proximity is determined using the magnitude of MODEC's commercial relationship with the supplier, whether the supply is exclusive to MODEC and the physical proximity of the supplier to MODEC.

ACTIONS TAKEN TO ASSESS AND ADDRESS RISKS

During the past twelve months MODEC has taken a number of steps to strengthen its awareness of modern slavery risks in our operations and supply chain, building upon the existing ethical framework of our CODE. These actions include:

- Modern Slavery Act obligations described to MODEC Group Compliance Committee and promulgated to the MODEC Board;
- commenced establishment of a modern slavery working group comprised of personnel from MODEC's compliance and ethics team and drawing upon the expertise of specialist personnel from procurement, supply chain, commercial, legal, human resources and audit departments;
- commenced internal training for the modern slavery working group to enhance the nature of this risk prior to roll out across our operations leaders and procurement personnel;
- commenced bolstering existing supplier and subcontractor pre-qualification processes to expand due diligence via questionnaires to address modern slavery risks;
- commenced mapping of EPCI key supplier modern slavery risks;
- increased profile of the MODEC Ethics Hotline; and
- commenced adoption of a corporate philosophy that where modern slavery incidents are reported we work with affected suppliers and other stakeholders to ensure a victim centred response is implemented to affect long lasting change.

EFFECTIVENESS ASSESSMENT

The effectiveness of MODEC's response to the risk of modern slavery within its supply chain will be subject to regular review and as appropriate, adjustment to ensure meaningful engagement and outcomes for workers. Whilst we acknowledge that we are at the beginning of a long-term agenda to assess, and where necessary manage and change, the cultures and behaviours within our supply chain, the following targets are our goals for the forthcoming year:

- all senior operational leaders and procurement personnel engaged on the risk of modern slavery;
- development of a new survey for completion by suppliers and subcontractors regarding modern slavery practices to inform our engagement with, and support assessment and remediation of modern slavery risks within our existing supply chain;
- risk mapping of all key suppliers completed;
- addition of modern slavery as a standard risk to be assessed across all operational risk management tools;
- strengthening existing purchase order and subcontract terms and conditions to provide updated and additional rights for audit and remediation of modern slavery incidents to reflect best practice contract management of modern slavery risks; and
- meaningful engagement with high risk key suppliers to remediate modern slavery risks where they are detected

CONSULTING WITH OWNED OR CONTROLLED ENTITIES

MODEC operates as an integrated Group of companies with overarching policies, processes and systems that are designed to ensure consistency throughout all our operations. Accordingly, consultation across the list of entities owned or controlled by MODEC, Inc., has occurred naturally. Further, all MODEC entities operate under the direction and governance of the Board, who have been consulted and informed of the reporting requirements of the Modern Slavery Act via the MODEC Group Compliance and Ethics Committee.

This statement is approved and endorsed by the MODEC Board on 18 February 2021.



Kanamori Takeshi

Director, Executive Vice President and Chief Compliance Officer of MODEC, Inc.