

Modern Slavery Statement

FY 19-20





Introduction

Modern slavery is the serious exploitation of people through threats, coercion or deception, which undermines or deprives them of their freedom. Modern slavery is a global problem, estimated to affect over 40 million people.

At the McConnell Dowell Group we understand that the nature of our business means we are exposed to potential modern slavery risks across our operations and supply chain and we are committed to taking action and responding to this problem in line with our purpose of providing a better life.

This statement is made pursuant to the Commonwealth Modern Slavery Act (2018) (the Act) with respect to the financial year ended 30 June 2020 (Reporting Period). A cross-functional working group has consulted across the organisation to assess our group-wide practices to manage modern slavery risks and we have sought external advice to help test the adequacy and robustness of our modern slavery approach, risk assessment and controls.

This is our first statement in relation to modern slavery.



Our structure, operations and supply chains

Our Structure

This statement relates to the following McConnell Dowell group entities:

- McConnell Dowell Corporation Ltd
- McConnell Dowell Holdings Pty Ltd
- McConnell Dowell Constructors (Aust) Pty Ltd
- Built Environs Pty Ltd

and the ultimate Australian parent company of McConnell Dowell (Aveng Australia Holdings Pty Ltd), which each carried on business in Australia with a consolidated revenue in excess of \$100 million in the Reporting Period, and with their owned or controlled entities.

This statement has been approved by the board of directors of Aveng Australia Holdings Pty Ltd for and on behalf of the Reporting Entities and the board of directors of McConnell Dowell Corporation Ltd.

McConnell Dowell operates a construction and engineering business which is organisationally structured to deliver projects through four (4) business units; Australia, New Zealand & Pacific Islands, South East Asia and our building business Built Environs. In the Reporting Period these business units operated principally in Australia, New Zealand, Singapore, Indonesia, Thailand, Malaysia, Philippines and the Pacific Islands.

Our Operations

The market sectors in which McConnell Dowell's clients, for whom it delivers projects, operate are:

- **Infrastructure:** power, water and waste water, transport;
- **Resources:** mining and metals, oil and gas, petrochemical; and
- **Building:** government, commercial/industrial, social/residential.

The nature of projects McConnell Dowell undertakes and its business activities can be broken into the following specialist areas:

Marine

- construction of wharves, jetties, ocean outfalls, breakwaters, causeways and submarine pipelines;
- operation and maintenance of a McConnell Dowell owned fleet of marine equipment;

Rail

- construction, maintenance and asset management ranging from light, metropolitan and urban transport infrastructure through to regional and heavy haul railway networks;
- operation of a dedicated plant yard and workshop in Victoria, Australia for the purposes of maintaining McConnell Dowell owned rail fleet;
- operation as a rolling stock operator (in Australia);

Civil

- construction of building foundations, precast concrete, piling, hardstands, roads, runways and bulk earthworks;

Tunnel and underground

- construction of projects designed to ease traffic congestion, extend rail networks, generate sustainable hydropower, unlock resources and sustain communities through new clean water supplies;

Pipeline

- construction of gas and water pipelines;
- operation and maintenance of McConnell Dowell owned plant

Fabrication

- operation of steel fabrication facilities which produce structural steel and marine structures, steelwork and process piping, process modules and pre-assembled racks, concrete structures and concrete modules for the mining, oil and gas and power sectors;

Mechanical

- construction of piping, mechanical and electrical projects; and

Building

- commercial building construction in the accommodation, defence, education, entertainment and sport, government, health, industrial, office, retail and transport sectors.

McConnell Dowell delivers projects for its clients either in its own right or as a participant in a joint venture. The joint ventures that McConnell Dowell participates in are typically unincorporated joint ventures. McConnell Dowell's interest in these joint ventures ranges from 20-75% and its joint venture partners typically operate in similar industries and regions to McConnell Dowell.

McConnell Dowell relies on a large and highly diverse workforce in order to conduct these operations successfully. In the Reporting Period we directly employed over 2500 people across the countries in which McConnell Dowell operates, with over 75% of employees being located in Australia, Singapore and New Zealand (being the locations of the majority of McConnell Dowell's projects in delivery in the Reporting Period). Our employees were employed on a mixture of full time, part time and casual or contract basis, and varied in roles, ranging from executives and engineers to professional and administrative support staff and trades and labourers.

In conducting our operations, we:

a. Prioritise our corporate values of:

i. Safety & Care

Home without harm, everyone every day. The health, safety and wellbeing of our people, the community and the environment is paramount

ii. Honesty & Integrity

We do what is right - consistently and transparently

iii. Customer Focus

We build relationships by collaborating and delivering on our promises with excellence.

iv. Performance Excellence

We hold ourselves and each other accountable and always strive to exceed expectations.

v. Working Together

We respect and cooperate with each other and leverage our rich knowledge and diversity.

- b. have adopted the United Nations Guiding Principles on Business and Human Rights and are committed to upholding the Ten Principles of the UN Global Compact, which are directly incorporated into our Code of Business Conduct;
- c. rely on a robust group wide governance framework underpinned by McConnell Dowell's Group Operating Framework, Code of Business Conduct and suite of policies, operating standards and procedures on McConnell Dowell's Management System (MMS), which:

- i. Reflect human rights principles and practices;
- ii. Mandate onboarding training for all new employees on the commencement of employment which encompasses human rights principles and the prevention of modern slavery;
- iii. Encourage and expect employees to be able to identify unethical behaviour and to report unethical behaviour or decisions that could indicate potential wrongdoing;
- iv. Require an individual's right to work in a given country to be confirmed; and
- v. Mandate that every employee must receive a copy of the terms and conditions of their engagement in their native language including rates of pay, hours worked and statutory entitlements.

Our Values underpin everything we do.

SAFETY & CARE
HONESTY & INTEGRITY
CUSTOMER FOCUS
WORKING TOGETHER
PERFORMANCE EXCELLENCE





Our Supply Chain

As a result of McConnell Dowell's operations spanning various sectors and specialist areas, our supply chain covers a broad range of trades and varies depending on the discipline and location of the projects.

Generally speaking, at any point in time, our supply chain is broadly comprised of subcontractors (50%), suppliers (35%) and plant hire companies (15%), in respect of the supply chain for components on our projects (ie. this excludes our supply chain in respect of corporate supplies).

In the Reporting Period, the major subcontractors and suppliers in our supply chain represented supply in respect of:

- various trades and project related personnel;
- construction materials and consumables (supplied either directly and indirectly to McConnell Dowell via subcontractors and suppliers);
- plant hire;
- professional services; and
- IT and telecommunications.

As a projects based business that delivers a wide range of infrastructure and buildings in a variety of locations, our supply chain is constantly changing and evolving to meet the varying needs of the projects. Despite the changing nature of the supply chain, the domicile of our subcontractors and suppliers is primarily the country in which the project is being delivered. We have reviewed the locations of our projects which were in delivery during the Reporting Period and our projects in Australia, New Zealand and Singapore represented 85% of McConnell Dowell's workbook of projects in delivery and 90% of McConnell Dowell's revenue.

In the Reporting Period, our supply chain in these countries ranged from 95% to 98% domiciled in the country in which the project was being delivered, with the balance of the supply chain being subcontractors and suppliers that were domiciled outside of the country in which the project was being delivered. In those same countries, less than 1% of our direct suppliers were based in high risk locations (based on the Global Slavery Index) in the Reporting Period.

By way of example, in respect of McConnell Dowell's projects in delivery in Australia in the Reporting Period, Table 1 below shows McConnell Dowell's supply chain expenditure in Australian dollars by country of domicile. Table 2 below shows the number of subcontractors/suppliers by country of domicile, again in respect of the supply chain for McConnell Dowell's projects in delivery in Australia in the Reporting Period. Both Tables 1 and 2 illustrate that McConnell Dowell's first tier supply chain in Australia is almost entirely local to the country in which the project is being delivered. This is also consistent across McConnell Dowell's operations in New Zealand and Singapore.

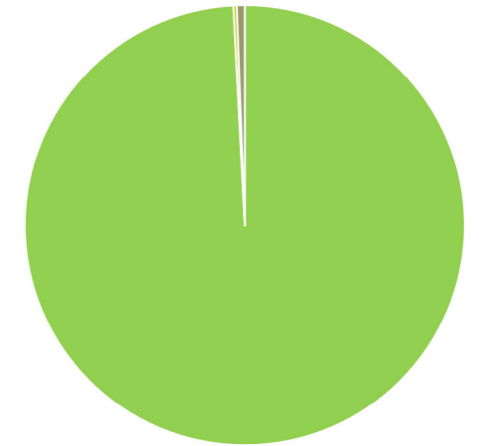


Figure 1 - expenditure for Australian operations by country of domicile FY 2019/20

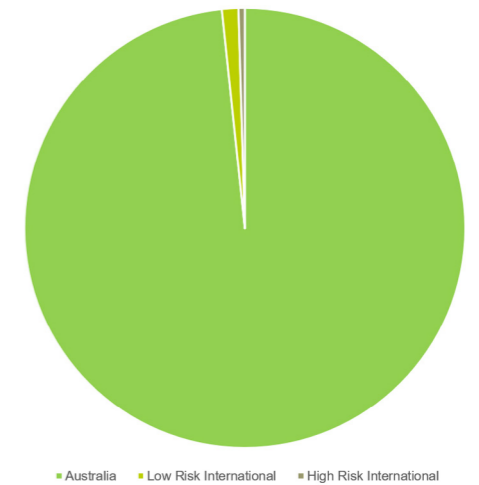


Figure 2 - Number of subcontractors/suppliers for Australian operations by country of domicile FY 2019/20

In respect of our projects which are delivered outside of Australia, New Zealand and Singapore however, we appreciate that McConnell Dowell may be operating in countries with a higher risk of modern slavery and going forward intend to deepen our risk assessment in respect of those countries.

Separately, each of our subcontractors/suppliers have their own supply chains and often supply goods or services sourced from countries other than the country in which the project is being delivered by McConnell Dowell. For example, in our pipelines business, this applies to the pipes and valves. For our rail business this applies to the rail equipment (as opposed to materials), such as tampers and regulators. In the marine space, marine furniture such as bollards are also typically supplied from outside the country of domicile of our subcontractors/suppliers.

Further, for many of our projects, our subcontractors select, source and supply the necessary construction materials in accordance with the specification requirements from McConnell Dowell's clients (as opposed to McConnell Dowell specifying the particular product itself). In addition, it is common for our clients to nominate subcontractors and/or suppliers for the supply of specialist material and/or equipment. In future reporting periods we plan to gain greater visibility into the risk of modern slavery in our supply chain's supply chains and identify any necessary steps that should be taken by McConnell Dowell to manage that risk.

Risks of modern slavery in our operations, supply chains and entities



At the outset of the Reporting Period, we identified that our systems and reporting tools in place at that time had some limitations in the nature and extent of information available when compared to that necessary to comprehensively map the risk of modern slavery in our operations and supply chains and our supply chain's supply chain. McConnell Dowell's risk assessment set out below is therefore subject to those limitations, however during the Reporting Period we commenced addressing this limitation with the implementation of a new vendor management system in particular (refer further below).

Operational Risk

In Australia and New Zealand, our employees, who predominantly hold professional and administrative roles, have the benefit of our corporate policies, operating standards and procedures which include the requirements for compliance with applicable laws and regulations, as well as their contractual entitlements, all of which are designed to ensure that they are remunerated fairly, in accordance with any relevant industrial instrument and/or local employment laws, and that the individual is working of their own free will. We also undertake compliance audits to ensure that staff are paid into bank accounts in their name and that McConnell Dowell does not pay more than one salary into a bank account. In addition, McConnell Dowell accesses construction labour via labour hire companies. In Australia this is through a pre-selected five (5) member panel of specialist providers and in New Zealand this is through a larger number of providers.

Outside of Australia and New Zealand, we employ a range of workers, including individuals undertaking various trades and labourers from across Asia. The demographic of these workers (who are often working outside their home country) and the jurisdictional risk of some of the locations where we operate (which are classified as higher risk by the Global Slavery Index), increases the risk of modern slavery in these operations. In Singapore we largely use labour hire providers while in other South East Asian countries we largely self-perform projects and labour is acquired by direct employment.

In respect of direct employees we have assessed that the risk of modern slavery is lower in Australia and New Zealand than across our South East Asian operations. Additionally, McConnell Dowell recognises that the risk of modern slavery occurring is greater where we do not have direct control over the terms and conditions of employment of a third party workforce.

Of our operations, our projects outside Australia and New Zealand have the highest modern slavery risk.

- accommodation and catering provided by McConnell Dowell for projects in remote or international locations;
- telecommunications and IT hardware;
- cleaning;
- security; and
- personal protective equipment (PPE).

During the Reporting Period, we also had projects in delivery in a number of countries that have a higher risk of modern slavery according to the Global Slavery Index. On some of our projects, workers need to be accommodated onsite either because the sites are remote or where workers are brought in from other locations. In most cases, McConnell Dowell directly accommodates workers supplied by subcontractors onsite, rather than by relying upon the relevant subcontractor to provide food and accommodation for those workers. This allows us to ensure that the living conditions of individuals working on our projects is appropriate, given the correlation between modern slavery risk and the quality of food and accommodation provided to foreign workers.

A more detailed assessment into our supply chain's supply chain will be conducted in subsequent reporting periods.

Supply Chain Risk

In this first year of reporting under the Act, our risk assessment has been limited to the industry of our subcontractors and suppliers and where they are domiciled. We understand, however, that where our supplier is domiciled may not necessarily reflect its jurisdictional risk if its goods or services are supplied from another country. In future reporting years we intend to progressively expand our risk assessment to incorporate this factor.

On the basis of our assessment in respect of the Reporting Period, we have identified that we have a risk of modern slavery in our supply chains through:

- the procurement of subcontractors that provide labour on projects or for international projects in higher risk locations;
- construction materials, particularly when they are selected by our subcontractors;

Actions taken to assess and address the risk of modern slavery in our business

We undertook the following actions in the Reporting Period to assess and address the risk of modern slavery in our business.

Procurement/Supply Chain

The actions we took in relation to our supply chain were responsive to our assessment of our greatest modern slavery risk as arising from our supply chain's operations and their supply chains, and are outlined below:

a. We updated our procurement standard to include a commitment to upholding and promoting the ten principles of the UN Global Compact.

b. We undertook a desktop assessment of the procurement spend across our three (3) major countries of operation (Australia, New Zealand and Singapore) to determine the risk of modern slavery throughout those supply chains. Our assessment found:

- For Australia, the annual supply chain spend in 2019/20 was \$380 million and 99% of that annual spend was with companies domiciled in Australia (ie. with supplies manufactured and/or supplied from within Australia). Spend with international companies totalled \$3.15 million. Of this amount \$2.22 million was spent in countries with a higher modern slavery risk.

- Based on this initial assessment, we determined that, as the vast proportion of the spend was local, our efforts should focus on ensuring that our local suppliers have adequate procedures in place to manage their modern slavery exposure (both as part of their own operations, where they supply goods or services from another country, and in their supply chains). These principles were similar for our businesses in New Zealand and Singapore.

c. We incorporated some specific modern slavery questions into our subcontractor and supplier pre-award evaluation process. All subcontractors and suppliers are required to complete this self-assessment. As part of the prequalification process, all subcontractors and suppliers are also required to confirm that their direct employees are compensated in accordance with applicable industrial instruments and relevant local employment laws and regulations. The information gathered during this prequalification process will assist with the identification of any modern slavery in McConnell Dowell's immediate supply chain as well as heighten general awareness and promote discussion within McConnell Dowell and with its subcontractors and suppliers.

d. We took the same approach with our new enterprise vendor management system, Felix, which we are in the process of implementing group wide, starting with Australia. Once fully implemented, Felix will be McConnell Dowell's digitised solution for the pre-qualification of subcontractors and suppliers in respect of our Australian business unit.

e. We have identified a higher risk of modern slavery in our supply chain we have required appropriate suppliers to sign a Commitment to Ethical Business Practices which includes commitments regarding the abolition of any forms of modern slavery in their business (**Commitment to Ethical Business Practices**). The Commitment to Ethical Business Practices has been provided in bilingual format where relevant.

f. McConnell Dowell joined the Infrastructure Sustainability Council of Australia (ISCA) Modern Slavery Coalition to maintain knowledge and awareness of, and monitor, the infrastructure industry's response to managing modern slavery risks. ISCA is a member-based, not-for-profit body operating in Australia and New Zealand with the purpose of enabling sustainability outcomes in infrastructure. ISCA specialises in the facilitation and development of industry led performance-based governance and reporting frameworks throughout an asset's lifecycle. The primary means by which ISCA is advancing sustainability outcomes in infrastructure is the IS rating scheme. The IS rating scheme is an industry-compiled voluntary sustainability performance rating framework across planning, design, construction and the operations of infrastructure.

- The ISCA Modern Slavery Coalition was established in 2019 to address the requirements of the Act and comprises a group of fellow participants from the construction sector of the infrastructure industry.

- The purpose of the ISCA Modern Slavery Coalition is to help:

- build knowledge and capacity around modern slavery to drive good practice regarding risk management and to support compliance with the Act; and

- help drive better practice across the construction sector, explore collaborative solutions and provide a safe space for dialogue and leadership, given the common challenges facing the infrastructure industry (including the construction sector).

- The ISCA Modern Slavery Coalition selected two (2) categories of spend in which to undertake an in-depth assessment of the risk of modern slavery, being bitumen and personal protective equipment (PPE). The ISCA Modern Slavery Coalition is currently in the process of engaging with these particular suppliers in order to assess the risk of modern slavery in their operations, with a view to determining how any necessary change can be influenced. The ISCA Modern Slavery Coalition meets regularly and this activity will continue throughout 2021.

g. We verified that our procurement subcontract and supply template contracts contractually require subcontractors and suppliers to comply with all applicable laws and regulations and thereby include the Act.



People/Operations

While the immediate risk of modern slavery through our employment practices is relatively lower than the risk in our supply chain, we have taken steps to manage the potential risks of modern slavery with respect to employment practices. For example, we have:

- a. Implemented pre-employment checks to ensure that bank account details provided for the payment of salary match the name of the employee and where discrepancies arise they must be investigated and may require further assurance to ensure the employee is not subject to modern slavery.
- b. Commenced audits, and investigated any instances, where more than one employee's salary is being paid into any single bank account.

We have also worked to build awareness throughout the organisation by:

- a. Briefing the board of McConnell Dowell Corporation Limited on the requirements of the Act, how to identify modern slavery, what modern slavery is in the broader human rights context, reporting requirements under the Act, high risk areas in the construction industry, key issues/risks in respect of modern slavery and MCD's approach to compliance.
- b. Facilitating Modern Slavery training to relevant members of staff. This training included what modern slavery looks like, the requirements of the Act and best practice in effective supply chain management.
- c. Implementing a Whistleblowing Operating Standard and Whistleblowing Procedure which promote honest and ethical behaviour by providing a framework for the escalation of reportable conduct. These documents apply to McConnell Dowell personnel in relation to any activity carried out by any entity of McConnell Dowell and to reports from any external person, including subcontractors and suppliers. This whistleblowing framework allows for a disclosure to be made to an independent third party via our external whistleblower reporting service Tip-offs Anonymous Hotline managed by Deloitte (www.tip-offs.com.au). There were no instances of concerns relating to modern slavery in the relevant period.
- d. Ensuring that our commitment to respecting human rights is embedded in our policies and operating standards and that they promote a safe, diverse and inclusive workplace. For example:
 - i. Our Code of Business Conduct outlines our expectations of our people and our culture. It covers our purpose, values and behaviours, and helps each of us make fair, balanced and ethical decisions in our day-to-day work.
 - ii. Our commitment to supporting our people to feel safe, valued and included is outlined in Diversity and Inclusion Policy.
 - iii. Our Resourcing and Engagement Operating Standard outlines our internal recruitment protocols, legal and regulatory requirements, including how we source talent and selection processes based on merit.
 - iv. Our Grievance Procedure prescribes methods by which staff are empowered to report unfair and/or unlawful treatment.

Sustainability

- a. We implemented Sustainability Pillars which include a commitment by McConnell Dowell to the United Nations Guiding Principles on Business and Human Rights.

Corporate

- a. We allocated internal responsibility for ensuring compliance with the Act and appropriate oversight and reporting.
- b. A Compliance Operating Standard was implemented at a company group level which allocates responsibility for compliance within the business and specifies minimum content requirements for McConnell Dowell's management system.
- c. As referred to earlier, internal briefings on the requirements of the Act were provided to relevant personnel, as well as McConnell Dowell Corporation Ltd's board of directors.
- d. A Corporate Social Responsibility procedure was implemented on McConnell Dowell's management system for the Australian business unit.



Assessing the effectiveness of the actions taken

Having now implemented the measures outlined above, going forward our attention will shift to using and, where necessary, improving the measures. This will involve an annual assessment of the effectiveness of the actions taken to manage the identified risks of modern slavery and opportunities for continuous improvement. Any identified deficiencies will be addressed, and improvements made.

Our effectiveness analysis will be responsive to each of our actions and the risks they are designed to manage. In the Reporting Period, our focus was on creating a framework to manage the risk inherent in our subcontractors' and suppliers' operations and supply chains. Our effectiveness assessment going forward will include:

- a review of the percentage of suppliers that have agreed to adopt measures to manage their modern slavery risk, including foreign suppliers' adoption of the Commitment to Ethical Business Practices;
- a review of the number of our employees responsible for procurement decisions that have been trained in relation to modern slavery risk;
- a review of the number of our employees responsible for procurement decisions that have been trained in relation to modern slavery risk;
- expressly requiring that any employment agencies (i.e. recruiters, labour hire companies) we engage only put forward to McConnell Dowell candidates that the agency has assessed as of working age and working of their own free will;
- continuing to increase modern slavery risk awareness within the company and build the capability of our employees to identify modern slavery risks;
- implementing learnings from our membership of the ISCA Modern Slavery Coalition, initially in relation to PPE and bitumen; and
- a review of all whistleblower reports to identify any relevant trends in relation to modern slavery risk.

Process of consultation within the Group

We have a working group that meets to discuss and manage our approach to modern slavery, both in Australia and in our international operations, and share information and resources relevant to the management of modern slavery risk. This group includes representatives of McConnell Dowell's Legal, Compliance, Procurement, People and Sustainability business functions, all of whom are accountable for their functional areas across all business units.

In relation to our supply chain risk, procurement representatives from all our business units (including all our international locations) met monthly during the reporting period, with a standing agenda item in relation to our modern slavery risk program.

Other relevant information

We understand that the risk of modern slavery in our operations and the supply chain is not static and we must seek to continuously improve our mitigation in the years ahead. With this in mind, we plan to continue to raise general awareness of modern slavery in the organisation and conduct further training of human resources and procurement staff to identify and manage risk factors.

Our focus over the coming reporting period will be liaising directly with categories of suppliers that have been identified as high risk. We plan to use our vendor management system to understand and manage risk on a supplier-specific basis.



Scott Cummins

Director & Chief Executive Officer





mcconnelldowell.com