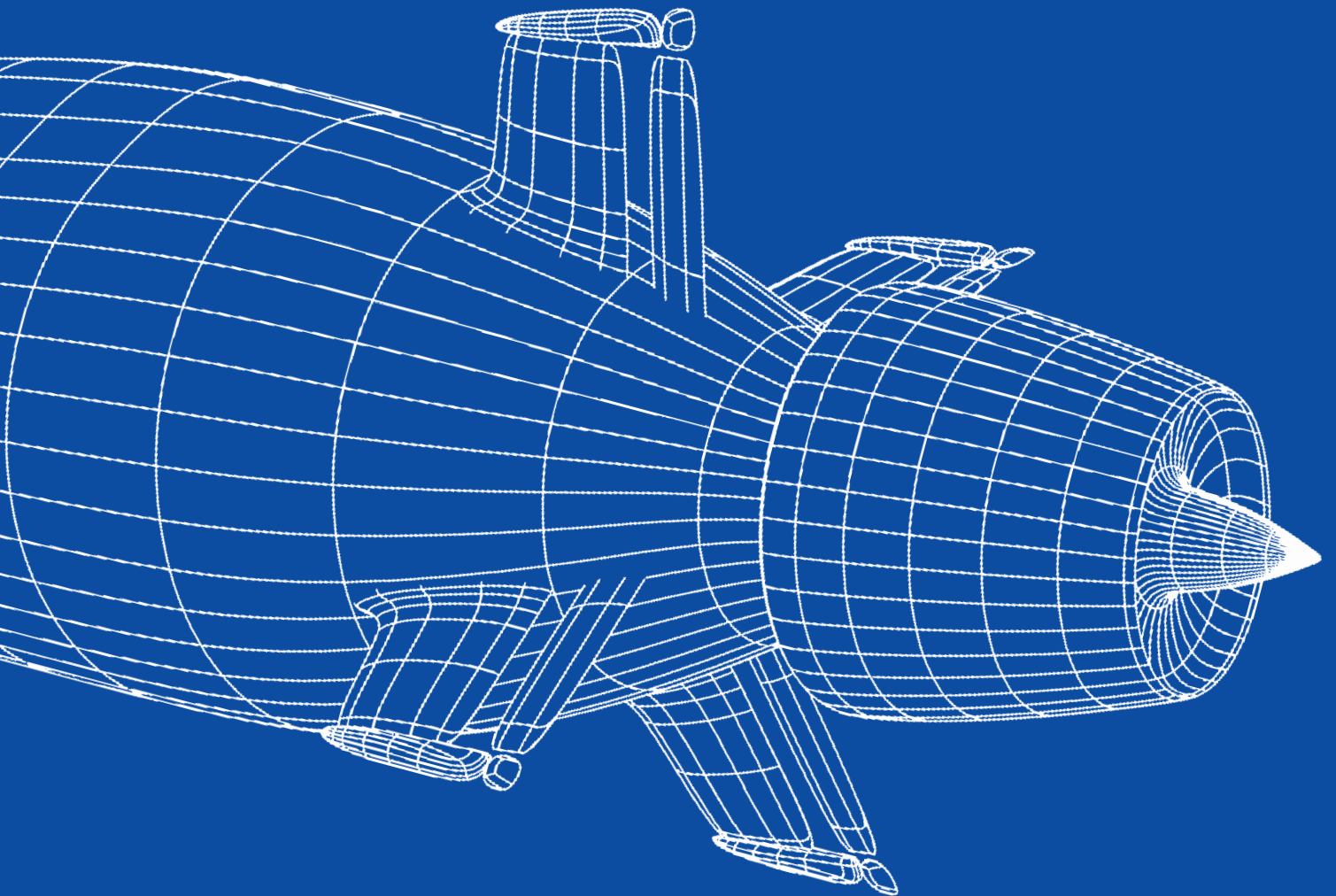




MODERN SLAVERY STATEMENT

For Year
Ended
31 December
2020



▼ ENDORSEMENT

Naval Group and its subsidiaries oppose slavery in all its forms. This Modern Slavery Statement is made in accordance with the Australian *Modern Slavery Act 2018* (Cth) for the year ending 31 December 2020. It outlines the steps taken by the Group to identify and mitigate the risk of modern slavery in the Group's operations and supply chain.

This statement is submitted as a joint statement on behalf of all reporting entities within the Group.

This statement was approved by the Board of Directors of Naval Group Australia on June 29th 2021.

This statement was approved by the Board of Directors of Naval Group S.A. on July 6th 2021.

All enquiries or feedback on this statement should be directed to direction.communication@naval-group.com

NAVAL GROUP S.A.



Pierre-Eric Pommellet
Chairman and
Chief Executive Officer

NAVAL GROUP AUSTRALIA



John Davis
Chief Executive
Officer



David Peever
Chairman of Board



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▼ A MESSAGE FROM NAVAL GROUP

We at Naval Group believe that respecting human rights is crucial to our ability to meaningfully contribute to the local and global communities we operate within. Modern slavery is a pervasive, yet often unrecognised, issue in global supply chains. We are committed to taking appropriate steps to mitigate the risk of slavery from occurring in any aspect of our business operations and supply chain.

During 2020, we built our understanding and enhanced our engagement with suppliers to identify and manage our modern slavery risks. We take seriously the role we play in addressing this global issue and are proud of the work we have done to assess and address the risk of modern slavery in our operations and supply chain.

This is our first modern slavery statement under the *Modern Slavery Act 2018 (Cth)* and sets out our actions and commitment to contributing to the identification and eradication of this issue from the modern world.

▼ INTRODUCTION

This joint modern slavery statement (**Statement**) is made by Naval Group S.A. and Naval Group Australia Pty Limited (ACN 605 467 123) (**Naval Group Australia**) for the year ended 31 December 2020. Naval Group S.A. and Naval Group Australia are each reporting entities under the *Modern Slavery Act 2018 (Cth)*.

Naval Group S.A. is a société anonyme (joint stock company) under French law and is a registered foreign company with ASIC (ABN 54 162 722 901). Naval Group Australia was incorporated in Australia in April 2015 and is a wholly owned subsidiary of Naval Group S.A.

In this Statement, the collective expressions "we", "us", "our", "ourselves", "the company", "the Group", and "Naval Group" are used where reference is made, in general, to Naval Group S.A. and Naval Group Australia and any entities which they own or control. Save where explicitly identified below, Naval Group operates using group-wide policies and procedures to assess and address modern slavery risk. The use of those terms is for convenience only and used where it is not helpful to pinpoint a particular Naval Group entity given the group-wide approach to risk management. These definitions are not intended to convey how Naval Group is structured, managed or controlled.

Naval Group is pleased to present its first modern slavery statement.

NAVAL GROUP STRUCTURE, OPERATIONS AND SUPPLY CHAINS

Naval Group is a world-leading industrial and naval defence group whose staff design, build, maintain and upgrade submarines and surface vessels as well as the associated systems and infrastructure. It also uses its extensive skills and know-how to provide services to its customers' naval bases and shipyards. Naval Group develops high-level technology solutions to preserve the long-term safety of the oceans against threats of all kinds.

Naval Group S.A., the French parent company controls, and has an ownership interest in, a significant number of subsidiaries and other businesses including joint ventures. An outline of the Group structure headed by Naval Group S.A. is provided in the Naval Group Financial Report 2020 www.naval-group.com/en/documents. The ownership (based on share capital) of Naval Group S.A. as at 31 December 2020 was 62.25% by the French State, 35% by Thales SA, 1.82% by current and former members of staff of the Group and the remaining 0.93% is treasury stock held by Naval Group.

OPERATIONS

International Operations



**SURFACE
VESSELS**



SUBMARINES



**UNDERWATER
WEAPONS**



**MISSION
AND COMBAT
SYSTEMS**



EQUIPMENT



**SERVICES
AND INFRASTRUCTURES**

Naval Group designs, builds, integrates, provides in-service support, dismantles and deconstructs the entire spectrum of naval armament, ranging from ocean patrol vessels to conventional submarines, coastal subs, corvettes, frigates, destroyers and aircraft carriers. As an industrial contractor, designer and overall integrator of whole warships and combat systems, we also offer a full range of services to naval bases and shipyards, including the maintenance and repair and major upgrades to extend the life of current fleets.

Naval Group operates in 18 countries around the world through wholly owned subsidiaries, representative offices, and non-wholly owned subsidiaries and joint ventures with other partners. The Group has 10 production sites in France covering the full spectrum of Naval Group specialisations. Its head office is located in France.

Australia

In April 2016, Naval Group was announced as Australia's international design and build partner for the Future Submarine Program. Our vision and commitment is to transfer sophisticated technology and French expertise to Australia to provide Australia with local capability, technology and know-how to become a sovereign submarine nation.

The Attack Class submarine fleet will be built in Adelaide, South Australia.

In creating this sovereign submarine capability, Naval Group Australia seeks to



As at 31 December 2020, Naval Group had 16,307 employees worldwide, including Australia (this figure rises to 17,015 when subsidiaries in which the Group holds a 50% interest or more are included).

Also as at 31 December 2020, Naval Group Australia employed 249 people. Of those, 237 were permanent full-time employees, five were permanent part-time and seven were fixed term employees.

maximize Australian industry involvement and has recently committed to spending at least 60% of the contract value for the 12 new Attack Class submarines in Australia.

The Future Submarine Program is a generational defence project that seeks to embed critical defence technology and manufacturing skills into Australia's supply chain, while providing opportunities to people from a broad spectrum of industries.

SUPPLY CHAIN

As at 31 December 2020, Naval Group had approximately 3,100 active suppliers. Of those suppliers, approximately 1,000 are suppliers with whom we maintain regular and significant business relationships (referred to as panel suppliers). These 1,000 suppliers represent approximately 90% of Naval Group's purchases by order value. Those suppliers cover the full range of Naval Group's supply chain, split between corporate suppliers who provide goods and services necessary for the successful running of a corporate enterprise, and suppliers necessary for the design, creation and manufacture of the naval vessels and other Group products.

Our suppliers include (listed in order of the number of suppliers in each category) general expense suppliers; information technology and communications; combat systems; energy and propulsion; platform equipment; material; studies and innovation; industrial services and work machining services and shipyard services; and infrastructures. Approximately 90% of Naval Group's suppliers are located in France with the next top nine jurisdictions in 2020 being: Germany, United Kingdom, Italy, Brazil, the Netherlands, Belgium, Australia, Spain, and Canada.

Naval Group Australia has approximately 300 suppliers, around 97% of which are located in Australia. Naval Group Australia also procures from Italy, France, New Zealand, Singapore, Germany, the United States and the United Kingdom. Naval Group Australia's supplier base covers all of the categories described above (i.e. general expense suppliers; information technology and communications; energy and propulsion; platform equipment; material; studies and innovation; industrial services and work machining services and shipyard services; and infrastructures).



MODERN SLAVERY RISKS

Risk in our Operations

Naval Group operates in 18 countries with varying levels of inherent geographic and operational risk which it actively seeks to mitigate.

Based on the risk indicators in the Walk Free/The Minderoo Foundation's Global Slavery Index, the majority of jurisdictions in which Naval Group operates are inherently low risk including: Australia, Belgium, Brazil, Canada, Chile, Colombia, France, Italy, the Netherlands, Saudi Arabia, and the United Arab Emirates. The moderate and high-risk jurisdictions in which we operate include Egypt, Greece, India, Indonesia, Poland and Singapore. From an activity perspective, Naval Group operations cover a broad range of risk categories from low risk marketing and sales, and research and development to more inherently high-risk manufacturing operations.

Risk in our supply chain

Naval Group's supply chain of approximately 3,100 suppliers are mainly spread across the countries listed above. Naval Group segregates its supply chain into the nine categories listed above.

From a geographic risk perspective, over 90% of Naval Group's suppliers are based in France which we consider lowers the inherent risk in our supply chain. The next top nine jurisdictions from which we source supplies are also predominantly low risk jurisdictions. Naval Group Australia's supply chain is located in many of the same jurisdictions as Naval Group S.A.'s top 10 jurisdictions but with different volumes coming from each jurisdiction.

As stated above, for example, over 97% of Naval Group Australia's supply chain is located in Australia which lowers the inherent supply chain risk. Naval Group maintains its proactive stance and is committed to continuous improvement in methods for measurement of modern slavery. The aim of Naval Group is always to identify the correct level of modern slavery risk from a geographic perspective, including deeper within our supply chain. We plan to keep updating our assessment in future reporting periods.

In many cases, the goods and services within each category of our procurement combine a range of risk profiles. For example, the general expense category of procurement contains some low risk and some higher risk types of procurement. The same applies for infrastructure, information technology, industrial services and works, materials, energy and propulsion, and combat systems. The software development and innovation category is generally low risk and platform equipment is generally higher risk.

Naval Group S.A. is also required to report under the French Duty of Vigilance Law (Law No. 2017-399 of 2017, Duty of Care of Parent Companies and Ordering Companies). This has reinforced the Group's existing approach of considering the environmental and social impacts of supplier operations, while offering a more detailed framework. In 2018, Naval Group launched a plan comprising reasonable vigilance measures to identify risks and prevent serious violations of human rights and fundamental freedoms, threats to health and safety and environmental damage. The plan takes into account the Group's activities, as well as the activities of its subcontractors and first-tier suppliers with whom an established business relationship exists (for the activities that relate to the business relationship with the Group).

As part of this plan, since 2018, Naval Group has been developing a non-financial risk map which since 2020 has addressed, among other things, human rights and fundamental freedoms. The risks are assessed according to their current criticality (which takes into account the control actions already in place) and their level of control (four levels according to the group risk methodology). They are covered in the entities' risk maps. They are validated once a year by the Audit, Accounts and Risk Committee.

In 2017, as part of its mapping of non-financial risks related to its supply chain for the Duty of Vigilance, Naval Group prepared a Corporate Social Responsibility (CSR) risk map related to purchasing. This mapping, validated by Naval Group's Purchasing Management Committee, is used to assess the environmental, social and ethical risks (including modern slavery) of each of the Group's purchasing categories by factoring in purchasing data such as the volume of business and geographical location of the suppliers. All the information is evaluated by an external service provider. Naval Group then assigns a risk-weighting depending on how critical each purchasing category is. The CSR risk map thus highlights the high-risk purchasing categories from a CSR perspective, enabling the prioritisation of actions to be taken with Naval Group suppliers. This mapping will be updated in 2021.

In 2021, as part of its group risk analysis, the corporate risk department requested that subsidiaries place emphasis on identifying CSR, and in particular human rights, risks in their business.

▼ ACTIONS

All teams across Naval Group work and carry out the day-to-day operations of the Group and are essential to addressing the risks in our supply chain.

Below is an explanation of some of the practices which we have adopted to address the modern slavery risks identified.

Governance

Both the Naval Group S.A. Board of Directors and the Naval Group Australia Board of Directors strongly promote best practice in all aspects of this compliance area, including managing the risks of modern slavery, and recognise that buy-in from the entire enterprise is the best way to achieve this.

Naval Group has a risk management and internal control system that is led by the Audit and Risk Management Department and overseen by the Audit, Accounts and Risk Committee of the Board. The system covers strategic, operational, financial and legal, as well as CSR, risks. This system is supported by a network of risk and opportunity managers under the guidance of the Audit and Internal Risks Committee, co-chaired by the Senior Executive VP Finance and the General Secretary. An internal control tool that sets a single standard of requirements (*Référentiel Unique d'Exigences*, or RUN) is used to ensure consistency in the main requirements of the company.

Naval Group Australia has, from its formation, implemented an Internal Control Committee (ICC). The ICC is comprised of senior business area leaders and executive leadership team members, and reports into the Audit and Risk Committee of the Board of Directors of Naval Group Australia. This is an established forum in which issues relating to ethics, corporate social responsibility and the risk of modern slavery can be raised.

Policies

Naval Group has a Human Rights Charter which sets out the Group's commitment to the UN Global Compact, the Universal Declaration of Human Rights, and the International Labour Organisation's (ILO) Declaration on Fundamental Principles and Rights at Work. Through the Charter, Naval Group has committed to the elimination of all forms of forced and compulsory labour and the effective abolition of child labour. The Charter imposes an obligation on suppliers and subcontractors to comply with the principles laid down by the Universal Declaration of Human Rights, the UN Declaration of the Rights of the Child, the Declaration on the Elimination of Discrimination against Women, and the ILO Declaration on Fundamental Principles and Rights at Work, and they undertake not to engage in human rights abuses. These obligations are communicated through the Group's Supplier Code of Conduct and every supplier must agree to respect the code while supplying to the Group. The Supplier Code of Conduct is discussed in more detail below.

Assessments within Naval Group

As a follow on to the risk mapping under the Duty of Vigilance law described above, each year subsidiaries within the Naval Group use the RUN tool to conduct self-assessments across the same issues covered by the risk mapping (i.e. including human rights). The results of this internal control are presented to the Audit, Accounts and Risk Committee of the Board.

Due diligence before contracting

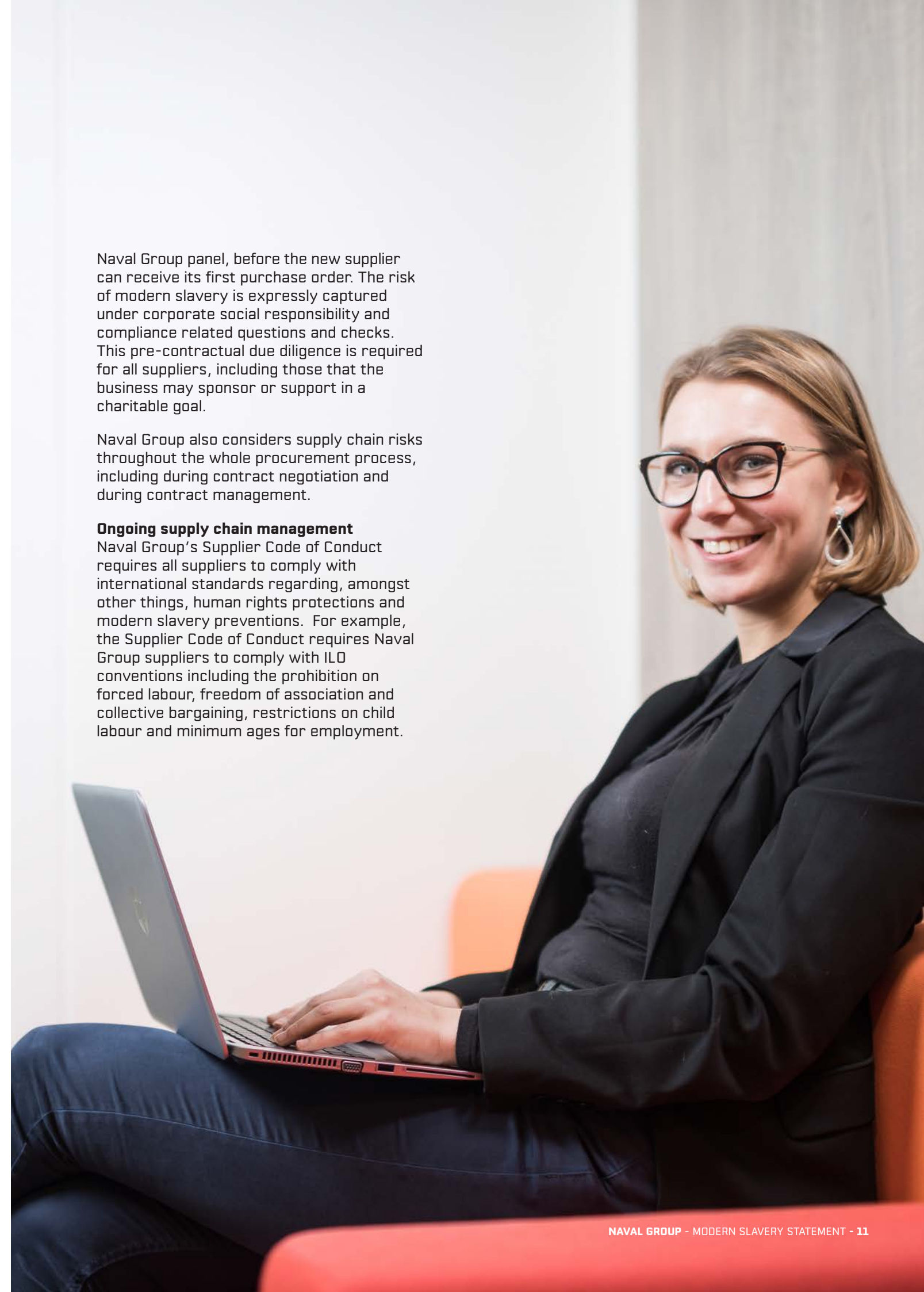
A due diligence audit is required before introducing a new company into the supplier base of Naval Group. Risk identification is carried out through a qualification questionnaire in order to identify whether or not there are compliance risks. The Group's Ethics, Compliance and Governance Department analyses the questionnaire and gives its opinion on adding the supplier to the

Naval Group panel, before the new supplier can receive its first purchase order. The risk of modern slavery is expressly captured under corporate social responsibility and compliance related questions and checks. This pre-contractual due diligence is required for all suppliers, including those that the business may sponsor or support in a charitable goal.

Naval Group also considers supply chain risks throughout the whole procurement process, including during contract negotiation and during contract management.

Ongoing supply chain management

Naval Group's Supplier Code of Conduct requires all suppliers to comply with international standards regarding, amongst other things, human rights protections and modern slavery preventions. For example, the Supplier Code of Conduct requires Naval Group suppliers to comply with ILO conventions including the prohibition on forced labour, freedom of association and collective bargaining, restrictions on child labour and minimum ages for employment.



Naval Group requires that suppliers meet these obligations even if they are above those which are required by local law. Failure to abide by the Code gives Naval Group the right to terminate the agreement with the supplier. In the first half of 2021, the Naval Group Supplier Code of Conduct was amended to enhance suppliers' understanding of how to recognise and prevent modern slavery.

All panel suppliers have a Naval Group lead buyer appointed who is responsible for managing the relationship with the supplier and reviewing the risk of the supplier on a regular basis (including the risk of modern slavery). Naval Group also has a Supplier Relationship Management policy which applies to our top 100 strategic and major suppliers. Systematic quarterly business reviews are conducted on these 100 suppliers.

In addition, all of Naval Group Australia's contracts require our contractors to warrant that the supplier is committed to sustainable business practices, does not engage in modern slavery and develops policies, procedures and due diligence processes to ensure that it avoids engaging in modern slavery. At the Group level, contractual clauses require our suppliers to comply with the Supplier Code of Conduct.

We reserve the right to audit our suppliers to ensure they are complying with and implementing the principles contained in the Supplier Code of Conduct.

Since 2012, Naval Group has used the ECOVADIS platform to assess its panel suppliers CSR engagement during the course of a supplier relationship. The ECOVADIS platform is a universal assessment tool of corporations CSR ratings across four main themes: the environment, responsible purchasing, compliance and social. The platform generates a rating for each supplier according to their CSR level. If the score is lower than similar companies, an action plan is put in place during the steering committee meetings held individually with all suppliers each year. The smooth running of the action



plan is monitored on a regular basis and is part of the supplier risk mitigation and action plan. This process is performed every three years. Naval Group has identified 300 suppliers who potentially pose a risk from a CSR perspective (due to the nature of supplies) and will be subject to additional CSR review in 2021.

Naval Group's objective is to assess all suppliers in the panel, i.e. 1,000 companies, using the ECOVADIS platform.

To achieve this objective, Naval Group teams work in stages, focusing on purchases with a potential to have a high CSR risk. The 2017 CSR risk mapping of suppliers, referred to above, led to the identification of 20 types of purchases which present a risk for the environment, health and safety, human rights (including modern slavery) and ethics. Priority was therefore focused on the CSR assessment of these 300 suppliers related to those 20 types of supplies.

Naval Group also accepts corporate social responsibility assessments carried out by its suppliers with other independent bodies. CSR assessments capture the prohibitions against modern slavery outlined in the *Modern Slavery Act 2018* (Cth).

CSR Maturity Matrix

Naval Group's Purchasing Department has self-assessed CSR maturity using a CSR maturity matrix developed by ECOVADIS and the consulting firm Bain. This matrix covers five main chapters: vision, objectives and challenges, procedures and process, continuous improvement and reporting. The results of this self-assessment contribute to the definition of the priority areas of work in terms of responsible purchasing and the conditions for adoption both internally (buyers) and externally (suppliers).

Training

Naval Group Australia has updated its compliance training program to ensure modern slavery training is delivered to relevant teams across the business throughout 2021. Naval Group S.A. intends to deliver training in 2021.

Raising concerns

Naval Group employees, contractors and associates are encouraged to raise any concerns regarding modern slavery through the Group's whistleblowing reporting mechanisms where retaliation is prohibited and anonymity can be assured. The whistleblowing systems were amended in 2017 to make them more globally accessible. The relevant contact details are displayed on the Group's website, intranet and in its ethics and compliance guidelines.

The Group closely monitors reports received for any trends in grievances and to ensure the Group's whistleblower protections support effective governance processes and assist in mitigating the risk of modern slavery in our supply chain.

Industry collaboration

Naval Group Australia regularly engages with employees and industry on ethics, compliance and corporate social responsibility topics. Where there is no conflict of interest, all personnel working within Naval Group Australia are encouraged to broaden their knowledge, whether that be through formal training and development supported by the company, volunteering on committees such as those coordinated by Australian Industry Group, or building relationships with colleagues beyond their own immediate field and in numerous other ways.

Naval Group is a member of the association *Enterprises pour les Droits de l'Homme* (Businesses for human rights) (**Edh**). This is a voluntary and multisector association to exchange best practice initiatives and reflections on business and human rights. As well as being an exchange forum, Edh designs operational tools for its members particularly in the areas of training and awareness-raising tools in order to support members in the implementation of their business and human rights agenda, compliance with French law and international CSR standards. Naval Group actively incorporates Edh practices into its organisation.

▼ EFFECTIVENESS

EY conducted a non-financial audit of Naval Group S.A. in 2020. The audit included qualitative interviews relating to the Groups Human Rights Policy and actions taken under it. Naval Group Australia, as the largest subsidiary, was also independently audited as part of this process. Due to travel restrictions imposed by COVID-19 the audit took place via video conference on Monday 23 November 2020 and through extensive secure document exchange. There were no findings, discrepancies or observations in areas including human rights, social relations and policies and harassments and discriminations.

Pursuant to the plan developed under the Duty of Vigilance Law, Naval Group measures the effectiveness of its human rights systems through the number of proceedings brought internally as well as the legal disputes the company has to address. Another indicator is the monitoring of correspondent appointments. In addition, the Ethics and CSR Committee ensures the implementation of the strategy for each CSR theme, with the objective of coordination, complementarity and overall consistency of the actions carried out within the Group.

Implementing further measures of the effectiveness of our actions will be a priority focus for the next reporting period.



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**IMPACT OF
COVID-19**

COVID-19 has had an impact on travel and the ability of Naval Group's supply quality assurance, engineering and procurement teams to conduct site visits.

We have mitigated the possibly heightened risks of modern slavery with increased supplier communication in other forms.

For example, during the pandemic, Naval Group's Purchasing Department strengthened ties with its suppliers. Every week during the three months of lockdown in France, the buyers phoned the suppliers in the panel who were most affected by the health crisis. This initiative made it possible to listen to the difficulties encountered by the supply chain of each supplier, and think about the most appropriate solutions.

In addition, given the scale of the health challenge and the need to enable companies in the naval sector to resume their activities, Naval Group, as a leader in the naval sector, has carried out actions to supply several million masks (3 million surgical masks, 1 million FFP2-type masks) and provided these protective masks to all the companies in the naval sector that requested them. The costs of logistics between China and France were fully borne by Naval Group.

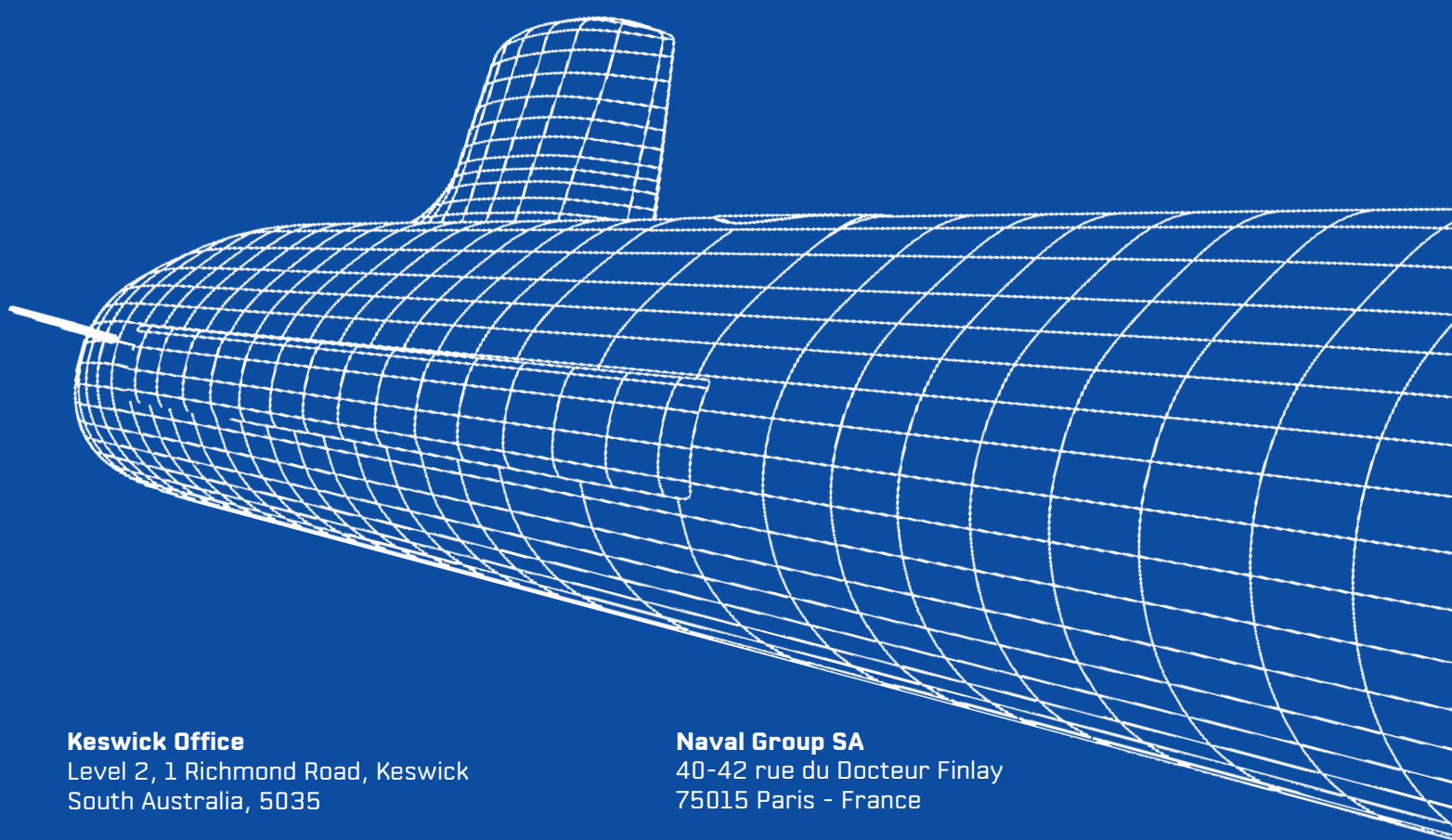


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CONSULTATION

Naval Group S.A. and Naval Group Australia have consulted on the preparation and drafting of this statement through representatives of the legal, compliance, operations and procurement teams in France and Australia.

Within the wider Naval Group there are open lines of communication and the wider Group is consulted on changes in Group policies impacting modern slavery and CSR responsibility more generally.

The Group intends to increase engagement between entities on matters of modern slavery in coming reporting periods.



Keswick Office

Level 2, 1 Richmond Road, Keswick
South Australia, 5035

Port Adelaide Office

1 Mundy Street, Port Adelaide
South Australia, 5015

Postal

PO Box 3065, Rundle Mall
South Australia, 5000

Telephone: 08 7099 2100

Email: communications.team@au.naval-group.com

naval-group.com.au

Naval Group SA

40-42 rue du Docteur Finlay
75015 Paris - France

Telephone: +33 1 40 59 50 00

Email: direction.communication@haval-group.com

naval-group.com



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GROUP