

MODERN SLAVERY STATEMENT FINANCIAL YEAR 2021

This is the second Modern Slavery Statement published 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 ('Modern Slavery'). 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 engineering, procurement, construction and installation ('EPCI') and operations services across a range of floating offshore oil and gas production solutions. Owning and operating its own fleet of offshore production facilities, MODEC is one of the largest independent operators of floating production storage and offloading ('FPSO') assets 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 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 ('Values') and monitoring its culture and compliance to ensure it upholds 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 EPCI and sales of floating offshore oil and gas production facilities, primarily FPSOs, floating storage and offloading systems ('FSO') and tension leg platforms ('TLP') to energy company clients. MODEC also leases and charters floating production facilities and provides associated operations and maintenance 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, Mexico, West Africa, plus others.

MODEC Supply Chain

As a large international construction and offshore services 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 out-sourced 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 relevant supply (either manufacture of products or provision of services) is labour intensive;
- the skill level of the supplier workforce; and
- any relevant knowledge of supplier work force treatment.

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 IN 2021

Financial Year ('FY') 2021 has been a challenging one for the MODEC Group; during which we have been managing a record high order book of complex EPCI projects and operational issues against the ongoing background of the COVID-19 pandemic. Despite this, MODEC committed to continue building upon our initial actions to address Modern Slavery risks during the preceding period, FY 2020.

Over the past twelve months MODEC has taken a number of additional steps to further our response to Modern Slavery. Specifically, we have:

- established a Modern Slavery working group based in MODEC, INC.'s Tokyo head office, comprised of personnel from our supply chain, commercial, legal, human resources, internal audit plus compliance and ethics departments;
- engaged an external ethical trade consultant specialising in supply chain human rights policy and practices to help guide our human rights audit and improvement processes;
- conducted Modern Slavery risk mapping for key MODEC suppliers and subcontractors to identify high-risk suppliers for further evaluation;
- consolidated our initial workplace human rights assessments conducted at local sites, by undertaking comprehensive follow-up human rights audits of MODEC's two largest construction and fabrication subcontractors in Asia, which yielded the following outcomes:
 - a. establishment of a corporate social responsibility framework across both subcontractor entities integrated to their own internal management systems;
 - b. improved subcontractor-worker dialogue channels including worker surveys and increased access to, and awareness training of, confidential worker grievance mechanisms for reporting worker concerns (including for by subcontract labour); and
 - c. upgrades to worker accommodation, canteen and living area/welfare facilities including hygiene and sanitary improvements.

This exercise has led to various improvements in subcontractor worker livelihoods, including tracking of working hours and rest days, reduced instances of:

- a. delayed payment;
- b. withholding of wages;

- c. lack of formal worker employment contracts; and
- d. fees for worker accommodation, visa and travel expenses, amongst others;
- commenced similar deep dive human rights audit of two additional large shipyard and fabrication subcontractors to MODEC following the same methodology described above and incorporating lessons from this earlier experience;
- strengthened existing standard 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 contractual risk management and affect supplier influence;
- implemented initial internal awareness training for all MODEC employees coordinated by MODEC's global Compliance and Ethics Group;
- addition of Human Rights as a risk within our standard corporate risk management tools; and
- increased the profile of the MODEC Ethics Hotline as a confidential avenue to report any human rights concerns within MODEC operations, and our supply chain generally.

EFFECTIVENESS ASSESSMENT

MODEC's response to the risk of Modern Slavery has mostly targeted those actions described above, and at this early stage of our program implementation it is difficult to quantitatively measure the worker benefits that it is delivering. However, we have forged sound and trusting relationships with our key subcontractors with whom we continue to work to uncover human rights risks and believe that those foundations already laid will produce long term changes in behaviour.

Additionally, the following targets are our goals for FY 2022:

- continue implementation of agreed action plans resulting from audits of key high-risk subcontractors to remediate identified risks;
- implementation of additional supplier human rights due diligence checks, including supplier/Subcontractor pre-qualification regarding their business practices and human rights behaviours; and
- commence development of a MODEC Group Modern Slavery risk management procedure for uniform use.

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 16 June 2022.



Kanamori Takeshi
Representative Director,
President & CEO (Chief Executive Officer) of MODEC, Inc.